UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/45/130
21 February 1990
ENGLISH
ORIGINAL: ARABIC/CHINESE/ENGLISH/
FRENCH/RUSSIAN/SPANISH

Forty-fifth session
Items 126 and 127 of the preliminary list*

ADMINISTRATIVE AND BUDGETARY CO-ORDINATION OF THE
UNITED NATIONS WITH THE SPECIALIZED AGENCIES AND
THE INTERNATIONAL ATOMIC ENERGY AGENCY

JOINT INSPECTION UNIT

Budgeting in organizations of the United Nations system

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly the report of the Joint Inspection Unit entitled "Budgeting in organizations of the United Nations system" (JIU/REP/89/9, vols. I and II).

* A/45/50.

JIU/REP/89/9 (Vol. I)
Geneva, June 1989

BUDGETING IN ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

Some Comparisons

Vol. I — Comparative Analysis

Prepared by
Siegfried Schumm
Joint Inspection Unit

Table of Contents

		Paragraphs	Pages
I.	INTRODUCTION	1 - 9	1
II.	BUDGET POLICY AND STRUCTURE	10 - 28	4
	A. General characteristics of the budgets of the organizations	10 - 21	4
	B. Budget presentation	22 - 24	7
	C. Budget structure	25 - 28	8
III.	BUDGET PREPARATION AND SUBMISSION PROCEDURE	29 - 38	9
	A. Budget preparation procedures by the secretariats	30 - 33	9
	B. Budget proposal submission and approval procedures	34 - 35	10
	C. Group or committee on budgetary and financial matters	36 - 38	11
IV.	DEFINITIONS AND FUNDAMENTAL ELEMENTS FOR SOME BUDGETARY AND FINANCIAL TERMS	39 - 80	12
	A. Appropriations	40 - 43	12
	B. Assessments (contributions)	44 - 52	13
	C. Staff assessment	53 - 57	14
	D. Working Capital Fund (WCF)	58 - 64	15
	E. Reserve accounts and funds	65 - 70	16
	F. Surplus	71 - 75	17
	G. Miscellaneous income	76 - 78	18
	H. External borrowing facilities	79 - 80	19
V.	BUDGET INCREASES (DECREASES)	81 - 108	20
	A. Techniques and methods used	82 - 88	20
	B. Inflationary increases	89 - 96	22
	C. Statutory increases (decreases)	97 - 101	23
	D. Methodology for calculation of costs	102 - 108	24
VI.	CURRENCY FLUCTUATION	109 - 129	26
	A. Budget currency and expenditures	109 - 114	26
	B. Possible solutions - five alternatives	115 - 129	27
VII.	CONCLUSIONS AND RECOMMENDATIONS	130 - 131	31

Annex: Main agreements worked out under the auspices of ACC.

I INTRODUCTION

1. The principal function of a budget is to provide the Member States and legislative organs of each organization with "a plan in financial terms for the carrying out of a programme of activities in a specific period. A programme budget focuses upon the work to be undertaken and the objectives sought through that work: it emphasizes the ends to be achieved and translates them into the costs required for their implementation: decisions relate both to resource levels and to results to be achieved.", as defined by the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ (FB)) in its Glossary of Financial and Budgeting Terms (ACC/1983/FB/1). On the basis of budget documents prepared and presented by the organizations, governments take decisions on the budget of each organization, bearing in mind their national budgetary procedures and requirements. However, the budget documents presented by the organizations are so different in their format, terminology, techniques and methods that it is difficult to examine the budgets of the organizations in a comparable manner. The "transparency" and "comparability" of budgets of the United Nations system has thus been repeatedly questioned.

2. The General Assembly of the United Nations reiterated in several resolutions the efforts to be made to achieve the maximum possible standardization and comparability in the budgetary and administrative practices of the organizations concerned 1/. "Standardization" or more flexible "harmonization" concerns the development of identical and standardized formats, methods and techniques of budgets in the United Nations system, thereby strengthening the common system. "Comparability" may be related to efforts towards clear and concise explanation for the methodology used in formulating their budget estimates.

3. With the development of programmes and activities of the system, the role of the budgets has changed since the inception of the United Nations system. The Administrative Committee on Co-ordination (ACC) made a number of proposals and guidelines in this respect (see Annex), which has resulted in some similarities in the ways the organizations prepare and present their budgets in areas such as: budget structure, budget presentation and financial and budgetary terminology. In this respect, the Joint Inspection Unit (JIU) also played an important role, by undertaking studies and notes and making many recommendations 2/.

1/ Some of the more recent resolutions: 41/204A, 40/25, 40/251, 39/241, 36/229, 35/114, 33/142A, etc. See also A/44/222, A/43/286 and A/42/234.

2/ E/4894, Report on programming and budgets in the United Nations family of organizations; JIU/NOTE/70/3, Note on the presentation of an outline programme budget for the United Nations; JIU/NOTE/75/1, Note on harmonization of programme budget presentation; A/9646, Report on medium-term planning in the United Nations system; A/34/84, Medium-term planning in the United Nations; E/ICEF/L.1403, Programming and budget problems in UNICEF; E/ICEF.AB/L.216, UNICEF; The new budget format; A/36/168, Report on methods of determining staff requirements, etc.

READEX FICHE

4. The Economic and Social Council called for in its resolution (LXIII) in 1977 inter alia the development of instruments to promote United Nations system-wide harmonization of programme budgets and medium term planning 3/. This has progressively resulted in the adoption of biennial budgeting, the synchronization of budget cycles and the development of a common budget structure, including comparable prefatory material 4/. The ACC has also developed a series of uniform tabular presentations of financial data, and the CCAQ (FB) has developed a glossary of financial and budgetary terms. The adoption of programme budgets in the larger organizations and of biennial budgeting cycles has substantially contributed to the progress of harmonization of budget presentation. However, differences do exist due to the obstacles met by organizations, such as: constitutional or legis ative requirements; different nature of activities and organizational structures; individual circumstances; co existence in the system of programme budgets and of budgets based on objects of expenditures, etc. In summary, the measures having been taken for the standardization and harmonization of budgetary practices in the United Nations system are limited to such areas as the synchronization of budget cycles and the development of common budget structures and uniform tabular presentations of financial data, rather than budgeting techniques and methods. The Report of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations 5/ included inter alia a recommendation on "the efforts to harmonize the format of the programme budgets of the organizations system" (Recommendation 13), which also mainly concerns the presentation of budgets.

5. In an effort to achieve more comparability, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) 6/ has submitted reports on the basis of the General Assembly resolution 36/229: (a) detailed reports on the budgets of the specialized agencies and IAEA once every two years (since 1982), and (b) the reports confined to tabular material and, as necessary, to special studies on administrative and budgetary problems common to the United Nations system, in intervening years. They contain general observations and organization-by-organization reviews of budgetary practices. The CCAQ also conducted several studies on many of these aspects with regard to such questions as inflation, exchange rates, categories of budget increases, personnel lapse factors and distributed costs. However, few of these studies and reports proposed concrete measures to improve the "comparability" and "transparency" of the budgets of the organizations concerned. Nevertheless, the flow of information through the system by means of these studies and reports have had a positive effect in achieving standardization to a discernible degree. In fact, similar budgeting techniques and methods have been introduced over the past years by various organizations as concerns, the use of the constant dollar, the methodology for calculating staff costs and the adjustment for staff turnover and delays (lapse factor).

3/ See also E/5675 (Part I), paras. 23-29; E/5803 (Part II), paras. 23-42 and Part IV, paras. 112-117.

4/ E/1978/43/Add.2.

5/ Supplement No. 49, A/41/49.

6/ A/38/515, A/39/592, A/40/769, A/41/632, A/42/683 and A/43/760.

6. While the ACABQ believes in further efforts for standardization and harmonization, it considers that the prime objective in preparing a budget should be to set forth the estimates in a manner which is clear and understandable to the governing body concerned and which is responsive to the special requirements of that body. In its report (A/38/515) the ACABQ made the following observations:

> "36. .... the arrangements in the agencies for performing the above functions vary greatly, thus lending support to the idea that organizational mechanisms should be tailored to meet the needs and size of the specific organization; in other words, the structure of a given organization is a function of its programme and is heavily influenced by its size and complexity. In this connection, and based on the information it has received, the Advisory Committee cautions that harmonization of the arrangements among agencies in respect of programme planning, budgeting and evaluation does not appear necessarily a desirable or feasible goal."

7. With a view to achieving comparability in budgets of the organizations, the standardization of budget presentation is of primary necessity and likewise the standardization of budgeting techniques which greatly affect the presentation of budgets. Thus, the study focuses mainly on several aspects of budgeting in the organizations and attempts to examine the extent to which these efforts by the ACC and other bodies have actually resulted in "standardization" and "comparability" in budgets of the United Nations system as well as the differences that have remained. It is understood that these techniques and methods cannot be examined in isolation and irrespective of the overall budgetary and financial policy of the organizations. The question of budgeting is indeed a very broad and complex one. In approaching this, the Inspector felt that he should deal not only with budgeting techniques and methods, but also with some related issues of financial management and policy. This study is composed of two volumes: Volume I: Comparative analysis; and Volume II: Comparative tables. This study primarily concerns 1988-1989 budget documents, unless otherwise indicated. An effort has been made to include the most up-to-date information in the report. Volume I makes a cross-organizational analysis of major techniques, methods and practices in organizations 1/ of the United Nations system in the preparation of their regular budgets on the basis of comparative tables contained in Volume II. It also recommends measures so as to achieve harmonization and comparability in budgets of the United Nations system. Volume II is designed to serve as a guidebook on budgeting. These tables are intended to be updated and revised from time to time.

8. Given the wide scope of this study, the Inspector makes only "some comparisons" of selected budgeting techniques and methods; therefore recommendations are not exhaustive. He, however, intends to conduct follow-up studies in order to examine more specifically detailed aspects of budgeting techniques used by organizations, for example on the calculation of real growth rate of budgets.

9. The Inspector thanks the many persons who contributed to the preparation of this study for their kind co-operation and useful observations.

1/ The study covers the regular budgets of all the participating agencies of JIU (i.e. United Nations, FAO, IAEA, ICAO, ILO, IMO, ITU, UNESCO, UNIDO, UPU, WHO, WIPO and WMO).

/...

II. BUDGET POLICY AND STRUCTURE (Table 1)

A. General characteristics of the budgets of the organizations

10. Budget policy concerns the course of action which the organization may adopt. As to which budgeting techniques should be adopted is a matter of budget policy. However, budget policies and budgeting techniques are inter-linked. Budgeting also depends on many aspects of the organizations such as the size, mandate and structure. Table 1 illustrates general characteristics of budget policy and structures of the organizations of the United Nations system. Generally speaking, the budgets of the organizations could be divided into two groups by size. While the United Nations and five of its specialized agencies (FAO, ILO, UNESCO, UNIDO and WHO) share similar characteristics, the budgets of the others (IAEA, ICAO, IMO, ITU, UPU, WIPO and WMO) are diverse.

(a) Medium-term planning

11. A medium-term or the equivalent plan should constitute the principal policy directive for budgets or programme budgets. Medium-term plans or other statements setting out longer-term objectives should serve as a basis for budget formulation. Medium-term planning has not been generally adopted as such by many organizations, although most of them do have a document setting out medium-term or longer-term objectives. Table 1 indicates different periods of plans which are on a "rolling basis" (i.e. being extended regularly for a further period) or on a "fixed-horizon basis" (i.e. not extended during the period covered). Given that medium-term planning is a matter of programming rather than budgeting, it should not, as a principle, include detailed financial indications or implications. However, medium-term plan can be a useful tool for setting a resource level. Some organizations give indications, and some do not provide any cost estimates at all. ITU and WMO are very particular in that budgetary ceilings for a long-term period are determined by the Conference and the Congress respectively.

12. In recommending the harmonization of programme budgets and medium-term plans, ACC 8/ provided principles and objectives, and indicated the difficulty in seeking harmonization for the medium-term plans, except in general terms. Whatever the forms of medium-term plans, the Inspector believes that budget proposals by the executive heads should derive from the decisions related to longer-term periods, as well as on appropriate action on the part of the Member States in earlier conferences and meetings of legislative organs. Thus, the medium-term plan should serve as a framework for the formulation of budgets.

(b) Budget cycle

13. The larger organizations (United Nations, FAO, ILO, UNESCO and WHO) and some of the smaller agencies (IMO, UNIDO and WIPO) have adopted a biennial budget cycle. They all cover the same budgetary period. The synchronization of budget cycles has been thus achieved to a certain extent. The remaining organizations (IAEA, ICAO, ITU, UPU and WMO) have different budgetary

---

8/ E/1978/43/Add.2.

periods and budgeting cycles. IAEA has annual budgets within a biennial programme period; ICAO has also annual budgets but within a three-year budgetary period; ITU and UPU have annual budgets within the ceiling of a longer period determined by the Plenipotentiary Conference (for a minimum period of five years; currently for seven years) and the Congress (for a period of five years) respectively; and WMO's budget is biennial within a four-year budgetary period.

(c) Types of budget (programme budget or object-of-expenditure budget)

14. Two main types of budget are used in the United Nations system: (i) the object-of-expenditure budget; and (ii) the programme budget. While the first type provides forecasts of expenditure required to implement programmes during a given period by the object-of-expenditures (e.g. salaries, travel, equipment), the second provides resource allocations by specific programmes and sub-programmes and generally provides succinct workplans and indications of priorities. In this latter type, information on object-of-expenditure is also provided.

15. The development of programmes and activities of the organizations has led to the presentation of budget documents indicating more realistically proposed programme activities and their financial implications. JIU produced several reports and formulated recommendations to this effect.

16. As Table 1 indicates, eight organizations have programme budgets, most of which are fairly well structured. However, improvements could be made, in particular, by UNIDO, since its programme budget is so far rudimentary in the sense that it does not provide sufficient information on planned outputs. It is recommended that organizations which do not have programme budgets review the possibilities of their introduction, and that programme budgets be developed adequately so as to indicate distinctively the planned outputs of the budgets. They should report to their governing bodies on the outcome of their review. As CCAQ pointed out 9/ in 1978: "The budgets also serve among other things as instruments for programme and financial control within the organizations during the implementation period. For the public, for governments and for the organs concerned with central analysis and co-ordination of the activities of the system, they are an important source of programme and financial information." A satisfactory programme budget is the product of a fully-fledged programme planning, budgeting and evaluation system within the organization.

(d) Unit of account (budget currency)

17. Budgets of the organizations are usually expressed in United States dollars, except in five organizations: IMO based in London, in pounds sterling; and ITU, UPU, WIPO and WMO, based in Switzerland, in Swiss Francs. The greater the proportion of expenditure of these organizations made in the budget currency, the lesser the risk of budgetary losses for currency fluctuations. A number of organizations which have adopted the United States dollar as the budget currency are located outside the United States and expend the greater part of their resources in currencies other than the dollar. In these cases, the instability of the dollar has led to problems of money management. Some organizations (IAEA, ILO, UNIDO, UNESCO) have found measures to protect themselves from substantial current fluctuation problems. (For details, see Chapter VI.)

9/ CCAQ/FB/R.15, Annex III, p.3.

(e) Full and semi-full budgeting

18. "Full budgeting" is defined as the inclusion in budget estimates of all increases in costs (staff remuneration, expenditure on goods and services) expected to occur in the course of the budgetary period, taking full account of inflation forecasts (see footnote, Table 1). In the case of ITU and UPU, such increases are not included in their annual budgets, but they are compensated within the overall ceilings determined by the Conferences and Congress respectively. With "semi-full budgeting", budget estimates include only cost increases likely to occur in the first half of the budgetary period, thereby leaving the expenditure resulting from the cost increases occurring during the remaining part of the period to be absorbed within the limits of the budget by means of savings on various budget components. Full-budgeting is based on the conviction that there must be correspondence between the budget and programme, both of which are approved by the legislative bodies. This enables the executive heads to implement the entire programme, as far as increases in costs do not substantially exceed the hypotheses on the basis of which the budget was drawn up. Semi-full budgeting is based on the assumption that some activities may be implemented by less costly modalities of action and that others may either be cancelled due to external factors or implemented only in part with reduced resources. In view of the probable evolution of salaries and the costs of goods and services, this method thus tolerates a possible deficit to remain in the budget or a gap between the approved allocation and the cost of the programme. Where the United Nations General Assembly has yet to take decisions on recommendations from the International Civil Service Commission or the United Nations Joint Staff Pension Board on items of the Common System affecting staff costs, Geneva based organizations either make no provision for them in the budget or identify them as conditional items.

19. In connection with its consideration of the effects of currency instability and inflation, the ACC has reaffirmed its position in favour of full-budgeting (A/C.5/1622, para. 12). CCAQ expressed its continuing belief that this method was the most consistent with both biennial budgets and programme budgets 10/.

20. Table 1 indicates that this principle is virtually applied by all the organizations. The only exceptions are IAEA and WMO. IAEA has an annual budget. "Flexibility clauses" of WMO mean the authority of the Secretary-General given by the Executive Committee in the form of budget resolution to incur expenditures, within a limited amount, resulting from specific reasons mentioned in the resolution.

21. Although the terminology and definition vary, many organizations have the possibility of making revised or supplementary estimates (see Table 3), whereby the secretariats submit to legislative organs, whenever required, proposals for financing additional expenditure which was not anticipated and not covered by the original budget. The "flexibility clauses" of WMO also fall into this category. Some organizations make a distinction between the financial years (budgetary or off-budget years). Supplementary estimates or appropriations can be authorized to finance extra expenditure, in the case of

---

10/ CCAQ Handbook, section 16.3, p. 31.

necessity, without modifying the approved budget. It should be pointed out, however, that, despite the existing authority and relevant provisions, some organizations (IAEA and WHO) do not use them as a policy, and some others cannot use them for practical reasons. For example, at FAO, such supplementary estimates are authorized by the Conference which meets only every two years.

B. Budget presentation

22. The ACC recommended that the programme budget follow a common presentation structure comprising the following elements, preferably in the same order 11/ :

(a) table of contents;
(b) list of abbreviations;
(c) introduction by the executive head;
(d) explanatory notes;
(e) summary tables;
(f) draft appropriation resolution;
(g) programme narratives and tables;
(h) information annexes.

The ACC provided guidelines on (c), (d), (e), (g) and (h) in order to develop a common budget structure and presentation formats, including tabular presentation on financial data. These guidelines cover also the presentation of medium-term plans.

23. Table 1 gives some indications on certain aspects of budget presentation. With regard to elements mentioned in paragraph 22, a common structure has not yet been established in the system, and budget presentation formats are far from identical. Furthermore, ACC guidelines have not been applied as had been requested.

24. The harmonization and standardization of budget presentation formats have been reiterated a number of times, in particular by inter-agency bodies for co-ordination, such as ACC, CCAQ, ACABQ, etc. On the same occasion, as in paragraph 16, CCAQ indicated that the issue of harmonization of presentation arises primarily in respect of the functions of budgets as an important source of programme and financial information, which should be provided to governments and the organs concerned with central analysis and co-ordination of the activities of the system. Given that the governments should take a position on the basis of various budgetary proposals of the organizations (see Chapter III and Table 2), further efforts should be made to present budgetary proposals and budgets so as to provide comparable and transparent information on the activities of the organizations.

11/ E/1978/43/Add.2.

C. Budget structure

25. The structure of budgets of organizations largely depends on the type of budget. In cases where programme budgets have been adopted, the programme structure is one of the determining factors for the budget structure.

26. The column on "Programme structure" of Table 1 shows different programme levels which are indicated in budget documents. With regard to the programme hierarchy, four levels are identified for the sub-division of the organizations' overall programmes (major programme, programme, sub-programme and programme element). Not only do these levels tend to vary from one organization to another, but also the programme narratives focus on different programme levels in budget documents. Where fully-fledged programme planning systems are lacking, the "programme structure" may be simply a label placed on a pre-existing organizational structure.

27. Referring to Table 3, the column on "Appropriation structure" reflects the difference in the structure of appropriations and budget. It also indicates that the budget structure of some organizations corresponds to the administrative division of their secretariat, and the budgets of some others are only prepared on the basis of the programmes.

28. With regard to organizations which have not adopted programme budgets, the budgets focus on objects of expenditure, the division of which varies from one organization to another.

III BUDGET PREPARATION AND SUBMISSION PROCEDURE (Table 2)

29. The budgetary process consists of several stages: preparation (including informal consultation) decision making, implementation, monitoring, evaluation and control. This study focuses on the preparation phase. Budget preparation is undertaken first by the secretariat in the form of budget proposals which are submitted to the appropriate executive and legislative bodies for examination and approval. Before this stage, a group or committee on budgetary and financial matters, which usually consists of experts or governments' delegates, may receive the budget proposals and make recommendations to the legislative bodies concerned. Table 2 indicates different preparation and submission procedures of the organizations.

A. Budget preparation procedures by the secretariats

30. Responsible offices: Usually budget divisions or sections are responsible for the preparation of draft budget proposals. To this end, in cases where programme budgets are used, programme managers and the departments concerned are requested to present their proposals on the basis of their planned programming for the forthcoming budgetary period, taking into account the existence of internal directives setting out management's budget policy, and the results of internal programme and budgetary review committees. In organizations with object-of-expenditure budgets it is essentially the responsibility of budget divisions to develop the costs, gathering information as required from a multiplicity of sources. The collected information is used as a basis for the construction of the whole budget within the framework of an overall budget policy. Thus, in both cases, the costing of proposals in money terms is developed centrally by budget divisions. Calculation of projected cost increases and effects of exchange rates, as well as adjustments to these rates, are also their responsibility.

31. Preparation cycle: Although budget preparation is an interactive process, the cycle for the preparation usually corresponds to the budgetary period of the organizations. The types of preparation differ from one organization to another depending on budget submission procedures (see Section B). In some organizations (United Nations, UNESCO), the procedures are distinct for "off budget years" and "budget years", and require the secretariat to provide different background documents. However, generally speaking, the secretariats start preparing budget estimates regularly one or two years before the beginning of the budgetary period. In cases where supplementary estimates are made, since a budget analysis is made annually (e.g. a performance review of the United Nations) budgeting is almost an annual exercise, despite their biennial period.

32. Methodology: The ACABQ expressed its belief in its report that "notwithstanding variations in budgeting practices, a clear and concise explanation of the methodology used in formulating the estimates should be readily available, perhaps in the budget document itself" 12/. While the

---

12/ A/39/592, para. 17. See also E/1978/43/Add.2, para. 16.

organizations do provide some overviews of their methodology in this regard, not many of them are designed to explain technical aspects, but only to indicate the results of this exercise. In an effort to reduce documentation, some organizations (e.g. UNESCO) provide detailed technical explanations to the governing bodies in the form of information documents accompanying the principal budget document.

33. There are "cost" and "programme" increases. The former comprise cost increases due to the effects of currency instability and inflation, together with "statutory" increases. The details of methodology for establishing budget estimates will be examined in Chapter V. The budget estimates should indicate both the real growth and cost increases (decreases). The rate of real growth, for budgetary purposes, which is the ratio as a percentage of net increases (decreases) at the budget rates requested, is arrived at by excluding the increases on account of inflation foreseen for the ensuing budgetary period, and increases or decreases due to depreciation or appreciation in the value of budget currency.

B. Budget proposal submission and approval procedures

34. Column two of Table 2 illustrates different procedures for budget proposal submission and approval. The budget proposals prepared by subsidiary organs, after submission by the secretariat, are adopted by the supreme legislative organs of the organizations, where all the Member States are represented. Consideration should be given to involving the Member States, at an early stage, as was decided 13/ for the United Nations budget outline. More specifically, the Secretary-General submits the "outline" for the following biennium containing indications on several aspects, which will be examined by several committees (CPC, Fifth Committee and ACABQ), through which the Member States can participate in the budgetary preparation from its early stages and throughout the process. FAO has also introduced on an experimental basis, the practice of an Outline Programme of Work and Budget, submitted to its Programme and Finance Committees. Moreover, its summary budget is circulated among member nations for advance consultation, which is unique compared to other organizations. The ILO also has introduced a process of prior consultation with its Governing Body on the financial parameters and main programme themes of the next programme and budget before work is commenced on the preparation of proposals.

35. Some other organizations also include in their procedures the involvement of Member States. UNESCO has in the past sent questionnaires to Member States to obtain their views on the programmes and activities to be proposed for the next biennium. Preliminary estimates are then drawn up and submitted to the Executive Board for examination. A final draft budget is then proposed by the Director-General. UNESCO has a procedure whereby individual Member States or groups of States may submit draft resolutions containing proposed amendments to the draft report. Given that the secretariat appends its comments to the draft programmes and budget, since these draft resolutions, which can be numerous, are translated into all official languages, the procedure implies significant costs. ICAO sends the draft programmes and budget to Member States for comments before the final preparation of budget proposals. At WIPO before preparing the draft programme

---

13/ General Assembly resolution 41/213, Annex I

and budget for each biennium, the Director-General sends a circular to governments of Member States of WIPO and/or the Paris and Berne Unions, inviting them to communicate to him their wishes to see any activity included in the draft programme. Most of the suggestions received are explicitly or implicitly covered by the draft programme that is prepared. These more or less formalized procedures seem somewhat cumbersome and also expensive. Therefore, the Inspector favours a more informal approach with Member States, which is already applied effectively in a number of organizations, such as IAEA and UNIDO.

C. Group or committee on budgetary and financial matters

36. All the organizations have committees on budgetary and financial matters, in one form or another, which review budget proposals by examining the details of basic programmes and activities. It is noted that such committees of most organizations are composed of governments' delegates (including delegates of employers' and workers' groups in the case of ILO) who will also take part later in discussions on budget at meetings of legislative organs.

37. With regard to the ACABQ of the United Nations and the Finance Committee of FAO, the composition is different. The members of ACABQ serve as experts in financial and budgetary matters in their individual capacity, rather than as delegates of governments. Similarly, the members of FAO Finance Committee are individuals with special competence and experience in administrative and financial matters, while representing the Member Nations elected to the Committee. The examination of budget documents, which are usually voluminous, requires intensive work and adequate judgement. It is the opinion of the Inspector that budgetary procedures should involve technical intervention by a small group of experts. Such a budgetary examination exercise could efficiently contribute to the development of clear and transparent budgetary procedures and decisions.

38. Such experts' groups should be limited in the number of members. The fact that the Finance and Administrative Commission of the Executive Board of UNESCO is composed of the same number of members (51) as the Board seems inadequate. Therefore, the Commission cannot perform the functions as efficiently as small groups of experts. For this reason, the Commission has seen it necessary on many occasions to constitute small working groups from among its members to bring together different positions on difficult questions. Ad hoc expert groups have also been involved in reviews and reforms of the Organization's budgeting techniques. On the other hand, FAO has the Finance Committee composed of nine members and the Programme Committee composed of eleven, who are representatives of the Member Nations elected to the respective Committees by the Council for two years, and who are individuals with special competence and experience in the technical matters with which these Committees deal. The Director-General's budgetary proposals are reviewed by the Finance Committee with regard to their financial implications and by the Programme Committee from the aspects of the content and balance of the proposed programmes, co-ordination, and priorities. Both Committees have the possibility to meet jointly. The Inspector is convinced, from his own experience, that such sub-committees to the governing bodies composed of a limited number of independent experts serve the organizations the best. It is, therefore, recommended that organizations establish a small group of experts on budgetary, financial and programmatic matters in order to efficiently examine budget proposals and related questions.

/...

IV. DEFINITIONS AND FUNDAMENTAL ELEMENTS FOR SOME BUDGETARY AND FINANCIAL TERMS

39. The CCAQ issued a glossary of financial and budgetary terms (see para. 1) in response to General Assembly resolution 2150(XXI) of 4 November 1966, which called for a standard nomenclature of budgetary and financial terms to be adopted and followed throughout the United Nations system 14/. This chapter will examine how several of these terms are used in the organizations.

A. Appropriations (Table 3)

40. Appropriations are used in the same sense in virtually all organizations. Appropriations are approved, usually by resolution, by the principal legislative organ of each organization. At ITU, the Plenipotentiary Conference of 1982 concluded the Convention which, inter alia, determined the ceilings of the expenditures for each year of the period 1983-1989. On the basis of this, the Administrative Council approves annual budgets. Similarly, the WMO Congress, which convenes every four years, also places a ceiling on expenditure. Authorization is given to the Executive Council to approve appropriations, for each of the two biennia comprising the budgetary period, without exceeding the amount voted by Congress.

41. Each executive head is authorized to make transfers between budgetary sections. Authorization may be conditional upon prior approval by the appropriate legislative organ. In addition, executive heads are authorized to make, without prior approval, transfers within appropriation lines or sub-headings.

42. Appropriation structures reflect the types of budgets and activities of each organization: for those organizations with programme budgets, the structure largely corresponds to their major programmes; for those without, appropriations are structured on the basis of administrative divisions or on the objects of expenditure.

43. With regard to the content of appropriation resolutions, organizations with programme budgets provide a summary of programmes, and the appropriations are voted according to programme subdivisions. With objects-of-expenditure budgets, the appropriations are adopted according to the types of goods and services for which specified expenditures are authorized. Approving bodies when adopting appropriation resolutions, only take note of the work plan. Since, however, the work plan forms an integral part of budget, the appropriation resolution should relate not only to resource levels. but also to the corresponding programme and to the results expected to be achieved. Moreover, to facilitate the comparability of budgets of the organizations, gross figures should be used, rather than those resulting from the subtraction of other income.

14/ A/6343, para. 59(c)

B. Assessments (contributions) (Table 4)

44. The United Nations, through its Committee on Contributions, has developed a scale of assessments based on several criteria. This is determined periodically on the advice of the Committee on Contributions. Many organizations develop their own scale by adjusting the United Nations scale of assessment to take account of the characteristics and membership of their organizations. For example, at ICAO, the United Nations scale constitutes 75 per cent, and aviation importance 25 per cent, the latter being measured by international air scale. At IMO, the United Nations scale counts for just 10 per cent, with 90 per cent based on merchant tonnage.

45. ITU, UPU and WIPO have a system of contributions, whereby Member States choose voluntarily the class of the scale of contributions they wish to pay.

46. The contributions which Member States should pay are generally composed of the total appropriations, minus estimated miscellaneous income. ILO, ITU and UPU, however, assess Member States for total budgetary appropriations without deducting miscellaneous income.

47. In deducting the miscellaneous income, some organizations use "estimated" figures, and others use the realized miscellaneous income. This practice of deducting the estimates of miscellaneous income in order to arrive at assessments may be questioned, since such estimates may not be reliable due to the uncertain flow of contributions and fluctuation of exchange and interest rates. Or, such forward estimates should be most conservative, to avoid cash deficits that arise when the estimated miscellaneous income deducted from assessments is not realized. At WHO, the deduction in miscellaneous income is based on the actual amount of funds available in its casual income account at the time of taking appropriation resolution. In the case of ILO, any cash surplus for a biennium is deducted from the assessed contributions for the second following year of any Member States which have paid their contributions.

48. With regard to the annual amount of payment, it is the responsibility of Member States to make the necessary arrangements in their own budgetary period in order to effect their payment of contributions in accordance with the relevant financial rules and regulations.

49. One of the recurring problems facing practically all organizations is that of non-payment and late payment of contributions by Member States. To deal with this problem, two possibilities may be envisaged.

50. First, an "incentive prompt payment scheme" of contributions which was recommended by JIU in its report on Cash Management (A/41/649) could be established to the extent possible. Many organizations (FAO, ICAO, ILO, IMO, UNESCO, WHO and WMO) have already introduced such a scheme. Incentive schemes are being kept under continuing review. The Inspector is still confident that such a system would effectively contribute to reducing the liquidity problems of organizations.

51. Secondly, to meet liquidity problems, mainly stemming from the late or non-payment of assessed contributions, the introduction of a "contingency margin" should seriously be considered. Such a contingency margin was implemented in UNIDO for the biennium 1988-1989. The extract of the related resolution (UNIDO resolution 22) is as follows:

"(e) Decided that, from the total amount of the 1988-1989 appropriations, an amount representing 15 per cent of those appropriations should be kept in reserve by the Director-General, pending receipt from Member States of their assessed contributions";

This implies that only 85 per cent of the programme budget appropriations can be utilized. It is only when more contributions have been paid that further programmes can be implemented, depending on the amount received. Similar though differently worded provisions were agreed upon by WHO for the years 1986-1987 and 1988-1989, and also for ICAO. The percentage for the contingency margin could be determined on the basis of the average long-standing late payment and non-payment of contributions over the last three to five years. This procedure could encourage Member States to pay their contributions on time, which would be beneficial to them on the one hand, and would lead from the outset to a desirable setting of priorities or even "post-priorities" on the other.

52. Setting such a "contingency margin" does not mean an impediment or restructuring of an approved budget by the secretariat. It would simply have the effect that the execution of the approved budget follows the availability of the necessary resources. The lack of necessary resources to execute the budget as planned would in any case force the secretariat to set priorities (i.e. the execution of programmes on a selective basis) and/or to take decisions to delay programme implementation. It is interesting that, in the case of FAO, as a measure to deal with serious liquidity problems, its Council approved a set of programme adjustments in relation to the Programme of Work and Budget 1986-1987 which had been approved by the Conference to yield total savings of $US 25 million. Some organizations put forward reservations about such a method due to practical reasons, by emphasizing that the contingency margin may even negatively affect the willingness of Member States to fully pay their contributions in anticipating such a margin. In UNESCO, the Executive Board recently dismissed a similar proposal presented by a Member State because of its numerous legal, constitutional and programmatic implications. Given the difference of opinions, the Inspector hesitates at this stage to recommend generally the establishment of a contingency margin, combined with an incentive scheme. However, he recommends close observation of the experience gained by organizations which have applied this method and to consider the possibility of the introduction of such a method, after having discussed this within the CCAQ (FB).

C. Staff assessment (Table 5)

53. Budgetary presentation: The United Nations, FAO, UNIDO and WHO, among the larger organizations, present their budgets on the basis of both gross and net salary scales. Two of the larger organizations, ILO and UNESCO, and all the smaller organizations make budgetary presentations on a net basis only. Budgets, though not presented uniformly, are nevertheless comparable in the sense of having net salary scales as a common denominator.

54. Financial arrangements (assessments): As to the method of assessing Member States, all organizations do so on a net basis, i.e. exclusive of staff assessment, including the United Nations where only the largest contributor is assessed on a gross basis (see Table 5).

55. Tax reimbursement arrangements: The organizations which both present their budgets and assess their Member States on a net basis, i.e. ILO and the smaller organizations do not have Tax Equalization Funds (TEFs). They

/...

nevertheless do have accounting mechanisms needed to handle all financial transactions concerning income tax reimbursements to staff members and payments related thereto by the Member States concerned, purposes for which the TEF is basically designed.

56. Of the others (FAO, UNIDO, the United Nations and WHO) which make similar budgetary presentations (i.e. both on a gross and net basis) and assess their members on a net basis, UNIDO does not maintain a TEF but does have accounting mechanisms akin to those described in paragraph 55 which it considers sufficient for its purposes.

57. The maintenance of TEFs has had to be introduced for the sole purpose of accommodating the payment of taxes in respect of salaries of international civil servants which should, in principle, be free of national taxation. If, however, some Member States continue to require those of their nationals who are international civil servants to pay national income taxes, they should compensate timely the entire costs of administering these special arrangements, especially the relevant staff costs, costs which are now shared by other Member States who have met their international obligations in this regard. This suggestion is recognized in part by the latest Tax Reimbursement Agreement between one Member State and two organizations which do not maintain TEFs (WMO in 1987 and WIPO in 1988). The agreements 15/ stipulate that this State "shall deposit at the earliest possible date each year a sum sufficient to cover all tax reimbursements paid in respect of the preceding tax year" and that "subject to the availability of funds" this State and the organizations concerned "may agree to a reimbursement for such reasonable and necessary expenses as the organization may incur in connection with the implementation of the administrative procedures required to carry out the provisions of the Agreement". The Inspector recommends that in all cases the Member States concerned should make an advance payment sufficient to cover the estimated income taxes payable and the costs of administering these arrangements.

D. Working Capital Fund (WCF) (Table 6)

58. The purpose and amounts of WCFs are established and determined from time to time by the legislative bodies of the organizations. Originally, in most organizations (except ILO and IMO), the purpose of a WCF was solely to finance expenditure of the regular budget, pending receipt of assessed contributions which are mostly due in the first month of the budgetary year. Besides ITU and UPU which do not have WCFs, most of the others have considerably enlarged, over the years, the scope of their WCFs. Such purposes include financing unforeseen and extraordinary expenses or other authorized expenses, making reimbursable loans to meet additional expenditures arising from exchange rate movements, and compensating any loss as a result of currency fluctuations.

59. The WCFs are funded mainly by "advances" of, or "assessments" on, Member States in accordance with the scale of contributions. Such payments stand to the credit of the respective Member States.

60. As mentioned above, ITU and UPU have no WCFs of their own. They obtain their working capital, if necessary, as temporary advances from the Swiss Federal Government and are required to pay interest on such advances. With their special system of contributions (see para. 45), together with the levy

---

15/ See ACC/1987/FB/R.7; ACC/1989/FB/R.5.

of interest charges on late payments, the Member States of these organizations are more easily disposed to pay timely than those with a system of assessed contributions. Moreover, they can avail themselves, in emergency cases, of a kind of credit line with the Swiss Federal Government.

61. In evaluating the desirable levels of WCFs, several factors should be taken into account:

- the objective of the WCF;
- other types of "reserves" such as special funds for currency fluctuation effects and/or inflations; and
- authority to borrow.

62. In some organizations, long-standing late payments or non-payments of Member States' contributions are debited to the WCF. This practice places an additional burden on those Member States which do pay their contributions. Rather, the budgetary provisions for expenditure should be adjusted accordingly.

63. Payments into the WCF over and above "advances" and their subsequent crediting to the organizations do not seem appropriate. The same applies to the ILO's provision for automatic replenishment of the WCF through statutory contributions from Member States in the second year after a drawing from the fund. Its WCF may be used not only to finance budgetary expenditure pending receipt of contributions or other income, but also to cover such financial contingencies as the effect of exchange rate adjustments (Part IV Effects of Exchange Rate Adjustments) inflation in excess of the level provided for in the budget salary increases arising from decisions by external bodies and other similar items. However, the WCF has not been used to finance any contingency except for the purposes of adjusting effects of exchange rates since 1981.

64. In the opinion of the Inspector, the WCF should be used mainly to bridge short-term cash flow problems, resulting from late payments of assessed contributions. Bearing in mind other financial provisions for each organization, the WCF should not represent, as a principle, more than one-twelfth of the overall level of the regular budget for one year, or approximately 4 per cent of a biennial budget (in the cases of other budgetary periods, to be calculated accordingly). In fact most of the organizations fit within this margin.

E. Reserve accounts and funds (Table 7)

65. Reserves (other than WCFs) exist because organizations consistently face financial difficulties caused by unbudgeted and underbudgeted costs, inflation, currency exchange fluctuations, and other unforeseeable budgetary risks, all of which may not be able to be met by savings during the execution of the approved budget.

66. As a general rule, such unforeseeable or under-budgeted expenditures should primarily be met by savings, or as a last resort by a supplementary budget, since obtaining approval for a supplementary budget is admittedly a complicated and expensive procedure for the organizations, as well as for Member States.

/...

67. There are three types of sources of funding for these reserves (i) as part of appropriations; (ii) interest generated from the investments of the regular budget resources; and (iii) separate provision of funds outside the regular budget. Whether organizations should have additional accounts or funds for reserves or not is a highly controversial matter, particularly during the periods of unexpected inflation, erratic currency movement and the lack of willingness to pay assessed contributions. It will be noted from the Table that several organizations (IAEA, UNESCO, UNIDO, WIPO, and WHO) manage to function without such accounts or funds, even if authorization to create such reserves does exist.

68. An interesting case in this respect may be IMO. This Organization switched its budget currency from the US dollar to the sterling pound with effect from 1 January 1988, since more than 85 per cent of its expenditure is in sterling pounds. At the same time its Exchange Reserve Fund was merged into the WCF, obviously because the change of budget currency no longer justified such a separate reserve. The scope of this WCF was then enlarged to cover the reduced exposure to exchange rate fluctuations. The other functions of the WCFs were maintained, thereby the level of its WCF related to the budget level being now the second highest in the system

69. Another special case is the United Nations. Apart from its Special Accounts (see the table), the forty-third session of the General Assembly established the Contingency Fund in order to cover additional programmatic requirements which were not included in the approved programme budget. This contingency fund is not a reserve by definition, and will be included as a part of the appropriation resolution. However, with a view to establishing a reserve to cover additional requirements due to currency fluctuation, non-staff costs, inflation and statutory cost increases for staff, the forty-fourth session will consider the formulation of procedures for the operation of such a reserve.

70. In these circumstances, whatever their forms and sources, all special reserve accounts and funds for unforeseen expenditure in the regular budget should be considered in the context of each agency's circumstances and limited to a minimum in organizations where alternative mechanisms such as supplementary estimates are readily available, or whose budgets include budgetary lines to cover unanticipated additional costs, particularly when these resources are provided on top of a broad scope of WCF. The establishment of reserve funds and accounts is closely related to other facilities, such as WCFs, surpluses and external borrowings as measures to deal with cash shortfalls. Nevertheless, it is clear that the use of these funds and accounts depends largely on the full and timely payment of assessed contributions by Member States. If they fulfil their financial obligations, the need for such funds and accounts would be very limited.

F. Surplus (Table 8)

71. The relevant financial rules and regulations do not always include a precise distinction on "budgetary" and "cash" surplus. As a general rule, once the contributions are paid according to the appropriation resolutions, budgetary surplus occurs if appropriation exceeds total expenditure in implementing the approved budget. Therefore, cash surplus is realized mainly as a result of budgetary surplus. In addition, cash surplus is also generated from other factors (usually budgeted as other or miscellaneous income) such as interest on investments, exchange gains, sales of publications, donations, etc.

72. The remaining balance of the appropriations is usually surrendered on an individual basis to contributing Member States in accordance with the scale of assessments, after having liquidated all obligations and any arrears of contributions for the budgetary period concerned. In most organizations, these credits are deducted from the assessed contributions for the following budgetary period. In this context, the ILO's practice of holding surplus for subsequent crediting to the Member States represents a different example.

73. Obviously, for statutory or other reasons, most organizations retain cash surplus in a special surplus account for a certain period of time after closure of the respective budgetary period. This delay in the distribution of cash surplus to Member States is linked to a time limit which in most cases is twelve months. Some organizations (FAO, IAEA and IMO) distribute cash surplus in the calendar year following the year in which the audit of accounts is completed, or even the first day of the calendar year concerned at FAO. Other organizations (ILO, UNESCO, UNIDO, WHO, WMO) distribute these credits on expiry of a twelve month period to Member States which have fully paid their contributions on the conditions mentioned in Table 8. (At the United Nations, in view of its financial emergency, the relevant regulations on the surrender of the balance of biennial appropriations have been suspended since 1980 (see Table 8)). In practice, in both cases, the retaining period of surplus comes almost to the same since the audit will normally take place in the year following the end of a budgetary period. Therefore, this procedure can be somewhat beneficial to the organizations concerned, given that during the retaining period cash surplus generated from other sources is normally built up to be held for the following period.

74. The question could be raised as to whether it is justifiable to retain the whole cash surplus of a given budgetary period after a relatively long time as supplementary cash reserve in the organizations. The Inspector is of the opinion that surpluses should be distributed to Member States in accordance with statutory requirements on an individual basis (i.e. by accounting actual contributions paid) and/or on a pro rata temporis basis, instead of only in accordance with the scale of contributions which will not take into account the amount and timing of payments. In this respect, it may be worth noting the practice of several organizations in compliance with the JIU recommendation on an incentive scheme for timely payments of assessed contributions (see para. 50). As cash surplus is confirmed definitively only after the accounts are closed and the audit completed, and all outstanding obligations of the foregoing budgetary period are met, it may be useful to examine the possibility to release a reasonable percentage or amount of the accumulated surpluses, immediately after the end of the budgetary period, to those Member States which have fully paid their contributions for this period and do not have any arrears. As a general budgetary principle, surpluses should be accounted for in gross terms without any reduction by offsetting them against other unrelated additional expenses.

75. With regard to UPU, ITU and WIPO (see, however, differential concerning the different unions of WIPO), surpluses will be transferred to their respective reserve accounts.

G. Miscellaneous income (Table 9)

76. Miscellaneous income is defined as income other than regular income (i.e. assessed or voluntary contributions) and is therefore a part of surplus. In some organizations it is called "casual income" (WHO, although its "casual income" is a much broader category than just "miscellaneous income").

/...

"income other than contribution" (WIPO) or "occasional income" (UPU). The main components of miscellaneous income are interests derived from investments or on bank accounts, gains on exchanges, sales of publications and other income which may differ from one organization to another. To facilitate the comparability in the United Nations system, more standardization of the components of miscellaneous income would be highly desirable.

77. The ILO practice is particular (see para. 63) in that "net miscellaneous income" (Table 9) is to be paid into the WCF, which is in accordance with its Financial Regulations.

78. The treatment of miscellaneous income may be examined in conjunction with the method of making assessments. As was mentioned in paragraph 47, some organizations deduct "estimated" miscellaneous income when assessing Member States. Given that the miscellaneous income represents the income realized as a result of factors mentioned above, this should be treated on the real basis. In the light of continuing budgetary and financial uncertainties, the Director-General of FAO proposed in 1986 and 1987, as a possible alternative, that the miscellaneous income continue to be credited to the income resource of the Organization and form part of the eventual cash surplus only after it had actually been earned. This was considered more prudent and more in line with sound financial practices than the present practice of deducting an estimated amount from budgetary appropriations in advance of being earned. After deliberating the matter fully the Finance Committee of FAO recommended to the Council that the present practice be discontinued as soon as a cash surplus materializes in a future biennium. At its November 1988 session, however, the Council requested the Finance Committee to keep the matter under review, mainly because the proposed change in current practice would entail a one-time increase in the level of the net payment for assessed contributions from Member Nations. The Inspector is none the less of the opinion that, as long as the financial and budgetary stringencies in the United Nations system pertain, the proposal made by the executive head of FAO seems sound.

H. External borrowing facilities (Table 10)

79. All organizations except IMO, UNIDO, and WHO have the authorization to use external borrowing facilities. In the case of ICAO, ceilings are fixed on the triennial basis. The forms of these facilities range from short-term loans from commercial banks to the issuance of bonds. ITU, UPU and WIPO have a long-term agreement with the Swiss Government for loans to be granted under special circumstances. In practice, not many organizations (United Nations, ILO, ITU) have utilized this authority, which was used only for short periods of time.

80. The programmes of the organizations are to be financed by assessed contributions of Member States. These resources may be backed up by the WCF, for short-term late payments, and the "contingency margin" (see para. 51), wherever it exists, for contributions outstanding for a long time. Under special circumstances, urgent measures could be taken to reduce programmes, by delaying the implementation of programmes, cutting down administrative support costs, etc. In case of absolute necessity, additional requirements could be financed through a supplementary budget and related contributions. Where exceptionally this possibility does not exist (see para. 21), the borrowing could be envisaged as a last resort. In such a case it would seem only fair and appropriate if Member States, which are responsible for this emergency situation because of their late or non-payment of contributions, should share the cost for such a measure, i.e. the interest for borrowing and other related charges on a pro rata temporis basis and according to the scale of assessment.

/...

V. BUDGET INCREASES (DECREASES) (Table 14)

81. Table 14 comprises programme increases (decreases) as well as other cost increases (decreases). Cost increases (decreases) arise from (a) statutory obligations; and (b) external factors, such as effects of inflation and currency fluctuation. Currency fluctuation and inflation are somewhat inter-related. In budgeting, however, they should be treated as separate matters. This Chapter will examine the techniques and methods to establish cost increase estimates due to inflation and statutory increases. (For currency fluctuations see Chapter VI.)

A. Techniques and methods used

82. There are two basic means of establishing the basic budget level for the ensuing period: (a) zero-base budgeting: The budget of the ensuing budgetary period is constructed from scratch, and (b) incremental budgeting: The budget proposals for the ensuing budgetary period are built up by adding to and/or substracting from the current budget base. In the United Nations system there are no pure or rigorous applications of zero-base budgeting or incremental budgeting, but this report uses these terms to describe a general approach for practical purposes.

83. Many organizations have adopted the principle of zero-base budgeting. The incremental budgeting is applied by organizations such as the United Nations and UNIDO. Incremental budgeting gives rise to controversy as to whether the approved budget can serve as a valid base, since it contains certain activities which are not repeated in the ensuing period and since it may have included some partial provision, which is not sufficient for full operation in the ensuing biennium. In practice, however, adjustments are made to ensure the comparability. The Table indicates that the United Nations discounts non-recurrent items, which are treated on a one time basis. Zero-base budgeting seems more clear and appropriate than the incremental one, whereby budgetary proposals are made from scratch, and the estimates are recosted for the ensuing period rather than re-costing the approved budget for the current period. The question does not arise as to whether the current budget has been executed to the full extent or not and whether there is an adequate provision or not for the ensuing period. Some organizations such as UNESCO while providing for these adjustments in the budget, do not apportion their amounts to the individual appropriation lines. These actual adjustments are carried out during the course of budget execution by means of specific or explicit authorizations or instructions contained in the appropriation resolution.

84. Full and semi-full budgeting: As already explained in Chapter II (para. 18), under the full budgeting principle, most organizations include in the budget proposals cost increases which are identified in the preparation of the budget, to the extent that they cannot be offset by savings arising elsewhere as cost decreases. With regard to inflation, IAEA works on the basis of semi-full budgeting, in that it uses price forecasts for those items of expenditure that follow an index or trend, such as salaries. For other items of expenditure, such as travel fares, per diem rates, equipment and supplies cost, utility prices, etc., actual increases in cost are recovered in the next budget estimates. This recovery of costs could be called 'catch up' (or 'catch down').

/...

85. Re-costing: For comparison of the budget of one budgetary period with that of the ensuing period, a given level of cost (e.g. US dollar) including an exchange rate is assumed at the outset. This assumption takes no account of either fluctuation in the exchange rate or inflation which has accrued since and which is expected to occur. This is the technique of the constant dollar.

86. To determine the rate of growth in the budget, which is expressed in constant dollars, for the ensuing budgetary period, the comparison is made between the existing and proposed budgets at the same constant cost levels. Adjustments for changes in costs are made either before or after this comparison. This is a technique of re-costing which will ensure the comparison of two budgets which take account of real growth and costs changes. This is ample justification for the application of the constant dollar principle, which permits the identification of real programme growth as distinct from cost increases.

87. When preparing budget proposals for the ensuing budgetary period, various cost levels may be used:-

(i) the cost levels at the beginning of the current budgetary period;
(ii) the average cost level of the current budgetary period;
(iii) the estimated cost levels at the end of the current budgetary period, and updated for estimate cost increases for the new budgetary period, or
(iv) the average estimated cost levels for the ensuing budgetary period.

88. The choice of levels affects the apparent amount of programme growth and the apparent changes in cost levels. The examples below illustrate (a) recosting before the point of comparison between the current and the proposed budgets; (b) a two-stage recosting procedure, and (c) recosting after comparison. (The current appropriations are assumed to be at value 100, with proposed programme increases of two per cent and cost increases of ten per cent, of which three per cent is within the current period.)

	(a) Recosting before comparison	(b) Recosting before and after comparison	(c) Recosting after comparison
Current budget	100	100	100 *
Current budget recosted	110 *	103 *	-
Proposed budget	112.2 *	105.06 *	102 *
Proposed budget recosted	-	112.41	112.2

* Points of comparison

In the Inspector's view, "(c) Recosting after comparison" should be given preference in the United Nations system. This has already been applied by several organizations and has the advantage of providing a clear and objective picture for comparison. The real growth in applying this method is neither over nor under-stated, since the comparison is shown on a constant cost level, excluding variable factors such as exchange rate and inflation.

/...

B. Inflationary increases

(a) Forecasting inflation

89. Each organization makes inflation forecasts on the basis of recent price increases, official inflation and consumer price index. Since the local consumer price increase or index does not necessarily represent the price increase for the goods and services used by organizations, organizations usually make item-by-item estimates on cost increases. (For details of each cost, see Section D.) The forecasts need to take into account not only inflation assumed for the new budgetary period, but also for any differences between the estimated inflation budgeted for the current period and updated inflation figures for the current period. In Geneva it has been a continuing established practice, endorsed by CCAQ, for representatives of organizations or Offices of the United Nations system located therein, to hold a meeting in order to consider inflation (assumed) for Switzerland in their proposed budgets, as well as rates of exchange.

(b) Adjustments

90. In relation to the inflation estimates projected in the budget, adjustments may be made during the course of budget implementation in the case of unforeseen inflationary increases, if not absorbed. As the Table indicates, organizations use different methods and means for this purpose if the inflationary increases cannot be absorbed, such as supplementary estimates, reserve accounts or funds, miscellaneous income, etc.

91. Revised estimates or supplementary appropriations: Many organizations are given the possibilities of making such estimates to request Member States to approve additional expenditure requirements due to inter alia unforeseen inflation, which was not covered in the original budget (see para. 21). It is a normal practice in certain organizations (United Nations, ICAO, IMO, UNIDO and WMO). In the Inspector's opinion, efforts should be made to minimize such additional financing.

92. Inflation reserve: As noted from column 3 of the Table, only FAO has a reserve to cover, inter alia, inflationary increases. The Special Reserve Account of FAO was established to assist in protecting the Organization's Programmes of Work against the effects of unbudgeted extra costs due to inter alia unforeseen inflationary trends. It should be noted that, if unbudgeted cost increases exceed 5% of the total effective working budget, the additional amount will have to be absorbed. This provision has to be seen in a context in which FAO is not in a position to request supplementary budgets, because only the biennial FAO Conference can authorize a supplementary budget.

93. Separate calculation of inflationary increases: As a corollary to the application of the constant dollar, UNESCO calculates budget estimates separately for recosting, for inflation, and for currency fluctuation. This has resulted in the establishment of a budgetary provision "Part VII: Anticipated Cost Increases" which specifically covers inflationary cost increases. Estimates for inflation for an ensuing budgetary period are, therefore, not incorporated in the individual items of expenditures but are calculated and included in the approved budget under this Part, which will later, if necessary, be distributed to appropriation lines with the approval of the Executive Board. For the budgetary transparency, this technique of independent calculation of inflation costs seems appropriate and useful.

/...

94.At ICAO, "Part VI: Contingencies" makes a provision for cost increase estimates on the basis of the previous triennium. The estimates for Part I to Part V are presented at salary, allowance and price levels in effect at the time of final preparation of the estimates (i.e. in early 1986 for the triennium 1987-1989). If, however, there has been an increase since that time, the effect will be taken into account in establishing a new level of costs, from which anticipated cost increases are projected. ICAO's separate budgetary provision to meet contingency cost increases seems particularly satisfactory, given that it has to project cost increase estimates for three year periods.

95.Absorption: In several organizations, the effect of inflation on expenditure other than that related to salaries and allowances, which are of a "statutory" nature (see Section C), during any given budgetary period must simply be "absorbed", to the extent possible, within the maximum expenditure approved for executing programmes. More specifically, to "absorb" means to make use of savings in programmes, otherwise to reduce (real decrease) programmes and activities for the budgetary period concerned. Although WHO used to make recourse to supplementary estimates, it discontinued this practice by introducing casual income. Thus, if cost savings occur, they are re-programmed or redeployed within the budgetary period or surrendered as a budgetary surplus. And in the case of unforeseen cost increases, they are simply absorbed.

96.Other accounts: Some organizations use resources outside the budget to finance other types of accounts or means to make adjustments to unforeseen inflationary increases. ITU and UPU use their reserve accounts to cover these increases and decreases. Some organizations may use the WCF to finance inflation in excess of the level provided for in the budget (see para. 58). IMO could request its Council to authorize the use of WCF in an extreme situation; however, such a need has not arisen to date.

C. Statutory increases (decreases)

(a) Forecasting

97.Most of the statutory increases (decreases) concern staff costs, resulting from upgrading and downgrading of posts, recruitments, promotions, retirements, annual salary increments, etc. Of the staff costs (see Table 11), changes in the elements indicated below are of a statutory nature. It is evident that the effects of changes in exchange rates play a role which should be taken into account.

(i) Salaries

98.Professionals (Ps) and higher categories: The salary scales for P category base salaries are the same throughout the United Nations system. The decisions, which are taken by the General Assembly of the United Nations, should, to the extent that they are known beforehand, be taken into account in the budget estimates. (No increases in base salaries have occurred since 1975.) Besides the base salaries, post adjustments are granted to compensate for differences in cost of living, including those arising from currency fluctuations, at different duty stations. The post adjustment index is fixed by the International Civil Service Commission (ICSC) on the basis of official statistics on local consumer prices and taking into account the result of

local surveys. The amount of post adjustment is a percentage of net base salary, which varies with grade and step. Since, however, the post adjustment class is given monthly, post adjustment payments are not accurately predictable.

99. General Service (GS) staff: For GS staff, the salary scales are different from one duty station to another. They are determined by the ICSC on the basis of periodic survey conducted in different regions or countries. GS salaries are paid in local currency. The increases (decreases) in the salary scales for GS staff can be forecast, although accurate estimates are difficult to make. If the decisions are taken after the preparation or adoption of budgets, adjustments have to be made accordingly.

(ii) Common staff costs

100. There are many elements in common staff costs of which two of the most important are:

(1) Pension: The percentage of contributions to the United Nations Joint Staff Pension Fund (UNJSPF) is also determined by the General Assembly (except UPU which has its own pension scheme). Moreover, as a result of post adjustments, the scales of pensionable remuneration are also decided externally.

(2) Family allowance and education grant: Family allowances and maximum education grants are also determined by the General Assembly. Similarly to other items, if the decisions on changes are already known, they are included in the cost increase estimates.

(b) Adjustments

101. As in the case of inflationary increases, adjustments are made to the forecasts of statutory increases against the decisions which will cause unforeseen increases (decreases) in the budgetary items concerned. Adjustment mechanism is not so different from that of inflationary increases.

D. Methodology for calculation of costs

102. The focus of this section is the methodology for (a) establishing budgetary cost estimates in respect of individual costs, such as staff costs, and (b) application of cost increases (decreases) to the budget.

(a) Establishing cost estimates

Staff costs (Table 11)

103. Staff costs, comprising salaries and common staff costs, range roughly from 55 to 75 per cent of the regular budget.

104. Standard costs: Table 11 indicates that eight organizations apply standard rates for staff costs. The technique of standard costs is used for presentation of staff costs in budgets to represent the total costs to the organization. Such standard costs are made up of several elements, the costs of which vary from one budget to another, due to different factors such as the costs of living, conditions of services, places of recruitment, etc. Standard

costs are determined through the projection of costs taking account of past experience, assumed cost levels and changes in staff entitlements. Most of the components of standard costs correspond to items indicated under salaries and common staff costs of the ACC classification. These are: basic salaries; post adjustments (P and higher categories only); family allowances; contributions to pension funds; contributions to health insurance funds; education grants; travel on appointment, home leave, transfer, etc; installation allowances and removal expenses; assignment allowance; rental subsidy; terminal expenses. However, these components are not necessarily the same for all the organizations.

105.The methodology of standard costs varies from one organization to another. Some organizations (United Nations, FAO, UNESCO, UNIDO, WMO) use standard costs for each grade. Some organizations have separate standard figures only for P and/or GS staff.

106.Staff turnover (lapse factor) Given that the recruitment procedure takes a long time when posts become vacant or new posts are created, the provision of full appropriations is not required. Therefore, a reduction is made in the budget. Many organizations (United Nations, FAO, IAEA, ICAO, ILO, ITU, IMO, UNESCO, UNIDO and WHO) provide for this factor by deducting any percentage from the total estimates for staff costs. IAEA indicates that they use percentage guidelines for lapsing posts only in addition to an analysis of the staffing situation. Lapse factor is more appropriate where "posts" are budgeted for than in the cases where other measures (i.e. work/years, man/months, etc.) are used as bases for budgeting. Some organizations (UPU, WIPO and WMO) do not provide lapse factor as such.

Non-staff costs (Table 12)

107.Table 12 indicates the objects of expenditure comprising other costs. It also indicates the manner in which these costs are distributed to programmes. It is more difficult to forecast the increases in non-staff costs, since the influencing factors are diverse and not always known in advance. Cost estimates for other costs are thus constructed for each object-of-expenditure, taking account of its characteristics.

(b) Application of increases

108.The cost estimates established are built into each programme element according to the requirements of each programme. These costs are totalled to derive the overall cost estimates in both money and percentage terms. In cases where programme budgets are not adopted, the estimated cost increases are included to each object-of-expenditure, then to the overall budget.

VI. CURRENCY FLUCTUATION (Table 15)

A. Budget currency and expenditures

109.Since 1973, when the international monetary system was reformed by introducing the system of flexible exchange rates between the United States dollar and other convertible currencies, the organizations of the United Nations system have been confronted with major currency fluctuation and instability problems. In fact exchange rate problems had already existed before the abolition of the fixed exchange rates. With the considerable depreciation of the dollar against most of the freely convertible currencies after this monetary reform, those organizations in the United Nations system, with the dollar as the budget currency, and a high proportion of expenditure in other currencies, were particularly hit: FAO, UNESCO, ILO, and to a lesser degree the highly decentralized WHO, and also the United Nations with its important European Offices in Geneva and Vienna.

110.The bulk of the regular budget expenditure of organizations concerns staff and other costs mostly due and payable in the respective local currencies. In these cases, the negative effects of the depreciation of the dollar were somewhat absorbed by fixing the budget exchange rate of the local currency to the dollar at the time of adoption of the regular budget by the legislative organs for the respective budgetary period. In fixing this rate, these organs usually take into account the current or average United Nations operational rates of exchange for a given period of time, the forecast of professional institutions and the current market rate prevailing when budget proposals are finalized. In some cases, simply the latest available market rate is taken on the day of adopting the regular budget, as, for example, in FAO. This budget exchange rate is then applied during the entire respective budget period.

111.According to the evolution of exchange rate fluctuations, the accounts will show a gain or loss. In these circumstances, planning, budgeting and execution of the programme budget is a risky business, and in cases where the market rates fall below the budget exchange rate, the organizations concerned find themselves in rough water, especially if these effects are aggravated by inflationary trends and late payments of assessed contributions.

112.As seen in Chapter IV E., some organizations are in an advantageous position since they have special funds, or budgetary provisions, at their disposal to alleviate this situation, or to accumulate during times of budget currency appreciation, considerable reserves, not necessarily credited or returned to Member States. Other organizations outside the dollar area are not as much affected by currency fluctuations if their budget currency is the local currency and most of their expenditures are in that currency (WMO, UPU, ITU, WIPO, IMO) or if they have a split assessment scheme (UNESCO, UNIDO, IAEA).

113.It is interesting to note that for similar reasons the World Bank group and the European Community created an artificial unit of account in the form of a "basket" of weighted currencies (Special Drawing Right (SDR); European Currency Unit (ECU), respectively) which limits currency risks for these organizations. This solution seems to be adequate for the above-mentioned organizations. In the case of the World Bank, the basket is composed of the

/...

five following currencies: US dollar, pound sterling, Japanese yen, Deutsch mark and the French franc. This combination seems to be adequate for the World Bank but not for the United Nations, which has a totally different structure. With regard to the ECU basket, it is composed of currencies from member countries of the region. For these reasons, it is not adequate for an organization like the United Nations which has worldwide operations with a membership of 159 nations.

114. This difficult monetary situation has prevailed now for a long time, and the affected organizations have been seeking ways and means of solving this problem. Member States also recognize that under these uncertainties, it is impossible to execute programmes in the way it was intended when approving the budget. Some organizations with a budgetary period longer than one year get relief by the technique of revised estimates and supplementary appropriations for the following year(s). This budgeting technique, which is used by some organizations, has some advantage for the organizations. However it has considerable inconvenience for the assessed Member States concerning their own national budget planning.

B. Possible solutions: five alternatives

115. Five solutions have been discussed in several organizations of the system:

1. To adopt a budget in the local currency of the headquarters of the organization.
2. To revise the budget exchange rate at shorter intervals than the budgetary period.
3. To establish a special reserve account, or similar technique, for exchange gains and losses.
4. To assess the Member States in the two main currencies of expenditure (split assessment system).
5. Forward purchasing of estimated currency needs for the entire budgetary period, or at shorter intervals.

These different options could theoretically, as deemed appropriate, be combined.

116. The question of the applicable currency in the accounting system in alternatives 1, 4, and 5 is independent and has to be dealt with separately.

117. Alternative 1: This solution would resolve the exchange rate only partially, in so far as the remainder of expenditure in currencies other than the local currency of headquarters would still be subject to exchange rate risk in respect of the budget currency. This risk is obviously more limited, if the organization's expenditure is relatively minor in a currency other than the budget currency. An important criterion in this respect would be the relative strength of the local currency, since the stronger the budget currency, the lower the risk of exchange losses in other currencies.

118. Taking into account these factors, it is possible, as a long-term solution, that organizations which spend at least 85 per cent of their regular budget in headquarters currency switch over to this currency as a budget currency. For the remaining percentage, where appropriate, a complementary solution could be envisaged (see alternatives 2 to 5). Table 15 indicates that ITU, WIPO, UPU located in Switzerland, with their large part of

expenditures in Swiss Francs, have had such a system from the beginning of their existence and have had no real exchange rate problems. Legislative bodies of WMO, an organization spending more than 85 per cent in Swiss Francs and IMO spending roughly the same percentage in pounds sterling, recently adopted such a solution.

119. Alternative 2: This could be a useful solution if exchange rate fluctuations could be forecast with some reasonable chance of success, say for one year in a biennial budgetary period, although experience of past years has proved that it is not feasible. Even a re-valuation of the expenditure budget by fixing a new exchange rate at the beginning of the second year of the biennium would still involve a high risk and does not present a satisfactory solution to the problem. Furthermore, such a re-valuation of the budget, during the budgetary period, would present a major factor of insecurity especially to the contributing Member States in their own national budget planning, since contributions have to be re-calculated and re-assessed. Thus, the risk of exchange rate fluctuations would be on both sides.

120. Alternative 3: Some organizations have such a reserve for currency fluctuations in one form or another (see also Chapter IV E. and Table 7). However, in view of the extreme fluctuations during the last few years, such reserves have to be relatively substantial. Technologically, it is difficult to conceive that Member States are ready to constitute such reserve funds ad infinitum, with obligations for replenishment in cases of necessity. On the other hand, in cases where such reserves are accumulated substantially it is hard to imagine that Member States, which have their own budgetary problems, will not take advantage of the opportunity to finance the regular budget by such available resources, or ask for reimbursement.

121. Alternative 4: This method has the advantage that already three organizations (UNESCO, UNIDO and IAEA) have introduced this solution and already gained some experience; it seems appropriate where the expenditure in local currency represents less than 85 per cent, as in the United Nations, FAO, ILO and WHO. The three organizations mentioned above have already introduced this method, by applying principles which have many similar features in concept, despite the fact that these organizations have a different budgetary period (UNIDO and UNESCO biennial; IAEA annual). The system works as indicated below. At the time of approval of the budget, the proportion of expenditure currencies during the current budgetary period can fairly accurately be projected into the next budgetary period. The two major currencies cover a high percentage of the overall expenditure in these currencies. The contributions of Member States are assessed in two currencies, in the estimated proportion that budget expenditure in the Headquarters currency will bear to the amount assessed in that currency and that all other budget expenditure will bear to the amount assessed in US dollars. If a Member State pays its assessed contributions on time in the assessed two currencies and in the approved proportion, it has totally fulfilled its obligations. Even if a Member State does not respect the deadline of payment, but pays in this same manner, his payments are credited to the two respective currency accounts. When a Member State pays its contribution only in one currency, the administration of the organization calculates the amount of the assessed proportion of the other currency in applying the United Nations operational rate prevailing at the time of payment. If a Member State pays in both currencies, but in a different proportion from the assessed proportion, the Secretariat calculates accordingly for credit on Member States contributions accounts.

122.The Inspector believes after lengthy discussions with the organizations concerned that such a procedure provides substantial cover against adverse currency fluctuations and should at least obviate the need for related supplementary budgets. In fact the exchange rate risk between the two budget currencies and the respective national currency is borne almost entirely by the contributing Member States, whose national currencies are different from the organizations' budget currencies. The exchange rate fluctuations between these two currencies during the month of payment, by applying the United Nations operational rate for the foregoing month is insignificant in monetary terms.

123.Since the proportion of expenditure in both currencies remains almost stable, a major advantage is that these organizations can dispose of the necessary currencies, at any time, without exchange risk. The three organizations preserve the dollar as an accounts currency, which is technically easy and has the advantage that the budget is easily comparable with other organizations of the system, as far as those other organizations likewise apply the dollar for accounting purposes.

124. The split level system significantly reduces the exposure of an organization to adverse currency fluctuations in the currency of the country of the headquarters of an organization. It must be remembered, however, that residual fluctuations will arise, notably because of:

(i) the actual percentage of expenditure in the headquarters currency being different to that estimated;

(ii) bank commercial rates being different from the operational rates of exchange that are applied to contribution payments.

It must also be kept in view that administrative work in contribution accounts and related currency management more than doubles for secretariats. In addition, many difficulties are still encountered by Member States in understanding the system, with the result that frequent queries and claims for adjustment of contribution accounts have to be answered. The incidence of the split level system on levels of arrears of contributions must also be considered.

125. Alternative 5: The forward buying of currencies combined with assessments in the main currency of expenditure aims in essence at the same objective as alternative 4, namely to provide the Organisation with the necessary mixes of currency at the right time in order to finance its expenditure budget and to minimize the effects of exchange rate fluctuations.

126.The forward purchase of currencies can either result in the payment or the earning of a premium depending upon the forward exchange prices for the currency which is being bought forward. These prices are determined by the various prevailing interest rate differentials between currencies. In the case of the Swiss franc, for example, given the long-standing interest rate differentials that have existed between this currency and the US dollar, the forward purchase of Swiss francs results in a higher cost in US dollars over the spot market while, conversely, the forward purchase of dollars can be effected at a lower cost in Swiss francs. Thus, the forward purchase of Swiss francs results in an additional cost, i.e. a premium paid over the budget rate while the forward purchase of dollars results in a premium earned.

/...

127.In late 1986 and during 1987, the Governing Body of the ILO considered a number of alternative long-term solutions to the problem of exchange rate fluctuations and in particular the forward purchase of Swiss francs for the full 1988-89 biennium or for part of the biennium. However, the cost of the forward purchase of Swiss francs (some US dollar 10 million at a budget rate of exchange of 1.60 S.fr. per dollar) was considered to be too high and the proposal was not pursued.

128.Subsequently, in November 1988, after further extensive consideration of the problem of exchange rate fluctuations, the Governing Body of the ILO decided to propose to the Conference that a system of Swiss franc assessments combined with the forward purchase of the US dollar requirements for the biennium be introduced in 1990-91. The Conference adopted this proposal in June 1989. It was considered that the main advantage of this system over a split assessment system was that the forward purchase of dollars would earn a premium which could be credited back to Member States. Additionally, Member States could continue to budget and pay their contributions in a single currency and the administration of and accounting for contributions in one currency would be more simple and less costly. Furthermore, the WCF would remain in a single currency (Swiss francs) and would no longer need to meet currency fluctuation losses. In recognition of this, the ILO Conference had already decided, in June 1988, to reduce the level of ILO's WCF. The system has the following main characteristics:

(i) for the purpose of annual assessments, the income budget for each biennium would be calculated in dollars in the first instance, and then converted into Swiss francs at the budget rate of exchange (although the programme and budget, the accounts and the financial statements would continue to be expressed in dollars); and

(ii) the dollar requirements for the implementation of the programme would be provided by forward purchasing for the biennium through concluding monthly contracts (i.e. 24 contracts in the biennium).

It was also considered that whereas the proposed system would substantially reduce the effects of exchange rate adjustments, it was recognized that the earning of a premium on forward purchasing depended on the continuation of past and current interest differentials between the US dollar and Swiss franc. In the unlikely event of a future reversal of interest differentials between these two currencies, the system could be changed to provide for the assessment of Member States in US dollars and the forward purchase of Swiss franc requirements. However, such changes of assessments, particularly in short intervals, would be most undesirable. It is true that the future reversal of interest differentials between the US dollar and Swiss franc is unlikely to occur, insofar as the situation may be special. For other comparable organizations (where less than 85 per cent of their expenditure incurs in the respective local currencies), such as UNESCO (FF/$US) and FAO (Ita. lira/$US), the future situation may be essentially unpredictable, despite the fact that FAO has recently had positive experience in this field. The split assessment system and the forward purchasing system should be compared when experience has been gained in a few years' time. It may then be seen, since these prerequisites differ substantially among organizations, that what is appropriate for one organization is not equally advisable for another, thereby a full harmonization in this respect is not necessarily appropriate.

129.As previously pointed out, comparability of programme budgets throughout the United Nations system is a major purpose of the intended harmonization of budgeting techniques. For comparison purposes, the preservation of US dollar accounts is feasible under both the split assessment and the forward purchasing systems.

/...

VII. CONCLUSIONS AND RECOMMENDATIONS

130. As a result of examining several aspects of budgeting of the organizations in the system, it has become evident that the budgets of the organizations concerned are still far from the desirable degree of harmonization, as recommended by inter-agency organs.

131. To facilitate a more equitable and comparable development of budgeting of organizations in the system, the following recommendations are made:

RECOMMENDATION 1: The organizations which do not have programme budgets should review the possibilities of their introduction and develop programme budgets adequately so as to indicate distinctively the planned outputs. A medium-term plan should constitute the principal policy directive for programme budgets for the organizations. They should report to their governing bodies on the outcome of their review (paras. 11-12 and 16).

RECOMMENDATION 2: For objective calculation purposes of real programme and budget growth, a method of re-costing after comparison on a constant cost level, should be adopted (paras. 85-88).

RECOMMENDATION 3: Organizations which have not already done so should establish a small group of experts on budgetary, financial and programmatic fields as a subsidiary unit of the legislative organ in order to efficiently examine budget proposals and related matters (paras. 37-38).

RECOMMENDATION 4: Organizations should closely review the experience gained by other organizations which have applied a "contingency margin" and consider the possibility of its introduction, after having discussed such a possibility within CCAQ(FB) (paras. 51-52).

RECOMMENDATION 5: Member States which tax the salaries of international civil servants of the United Nations system should compensate, entirely and timely, the costs of administering special arrangements (Tax Equalization Funds, special agreements, etc.) for reimbursements of income tax levied to the staff members concerned. The Member States concerned should make advance payments sufficient to cover the estimated income taxes payable and the costs of administering these arrangements (para. 57).

RECOMMENDATION 6: With regard to working capital funds, organizations should consider that:

(a) the amount of working capital funds should not represent, as a principle, more than one twelfth of the overall level of the regular budget for one year, or approximately 4 per cent of a biennial budget (in the case of other budgetary periods, to be calculated accordingly (para. 64); and

(b) working capital funds should be used mainly to bridge short-term cash flow problems, resulting from late payment of contributions; once the financial viability of the organizations is restored it should be used exclusively for this purpose. (para. 64).

RECOMMENDATION 7: The use of reserve accounts and reserve funds should, in pace with restoring the financial viability, be reduced and gradually eliminated, so that the organizations should restrict themselves in resources provided in the approved budget. In case of absolute necessity, a supplementary budget, or where this is not feasible, a borrowing facility, should be used as a last resort. In the case of borrowing, the interests due, and other related charges, should be borne on a pro rata temporis basis and in accordance with the scale of assessments by those Member States which fail to pay their assessed contributions fully and on time (paras. 65-70 and 80).

RECOMMENDATION 8: With a view to minimizing the adverse effects of currency fluctuation, the organizations concerned should envisage that:

(a) organizations which spent over 85 per cent of their expenditure in local currency at headquarters should switch their budget currency to this local currency (paras. 117-118): and

(b) all other organizations should examine the possibility of introducing a "split assessment system" in the two main currencies of their regular budget expenditure or, where appropriate, a "forward purchasing" of estimated currency needs (paras. 125-129).

ANNEX

Main Agreements worked out under the auspices of ACC

Areas (*)	Reference (GA resol., ACC doc., GA doc., etc.)
General	
1. Objectives for the synchronization of planning and budgetary periods	COORD.R/1238, para.11: E/1978/43/Add.2
2. Harmonization (standardization and comparability) of budgetary practices	Res 40/250 (36/229); COORD/R.1307; ACC/1986/12
3. Full budgeting	AC/C.5/1622; COORD/R.1174, para. 12
Budget structure	
4. Model for the structure of programme budgets	E/1978/43/Add.2
5. Classification of programme sectors and sub-sectors (for inter-organization expenditure presentation)	ACC/1986/FB/Corr.1 "Programme" definitions in Glossary
Budget presentation	
6. Definition (guidelines) of the nature and scope of programme budget elements in an identical format: - introductions; - explanatory notes; - summary tables; - programme narratives and tables; - information annexes, etc.	COORD/R.1279; ACC/1979/R.11; Annex III
7. Standard budget annexes	COORD/R. 864; paras. 18-25, and COORD/R. 1114, paras. 4-16; CCAQ Handbook Annex VII and VIII; (from COORD/R.828, Annex C)
8. Standard classification of fundamental building blocks, such as common programme categories, common objects of expenditure, etc.	COORD/R. 1146, paras. 4-10
9. Definition and content of programme (real) cost and other increases and decreases	ACC/1979/R.69; paras. 10, 13 and Annex IV

/...

10. Identification of programme (real) increases and decreases	ACC/1975/43/Add.2 para. 18; COORD/R.1174, para. 12 and Annex COORD/R.1211 paras. 28-29
Budgeting techniques Inflation	
11. Methods of estimating cost increases due to inflation	ACC/1979/R.11 ACC/1979/R.69 ACC/1986/FB/R.8
12. Minimum requirements for presentation of information on cost increases due to inflation	COORD/R.1174, para. 12 and Annex III;
13. Handling of costs increases contingent on decisions to be taken by policy-making organs	COORD/R. 1211, paras. 24-27
Currency instability	
14. Different means of dealing with effects of currency instability	ACC/1986/FB/R.8; A/9008, Add. 16; ACC/1979/R.69; Annex
Others	
15. Co-ordination arrangements of projections of cost levels for main duty stations	COORD/R.1211, paras. 21-25; ACC/1980/32, para. 5; ACC/1981/10, para. 9
16. Administrative and programme support costs	ACC/1979/R.69, Annex IV paras. 38-39; CCAQ Handbook Section 20.3
17. Budgetary treatment of support costs	COORD/R.985, paras. 19-22

(*) On the basis of ACC/1986/12, Annex III, p. 3 and ACC/1986/FB/P.35, pp. 2-3

JIU/REP/89/9 (Vol. II)
Geneva, June 1989

BUDGETING IN ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

Some Comparisons

Vol. II — Comparative Tables

Prepared by
Siegfried Schumm
Joint Inspection Unit

Table of Contents

		Pages
Foreword		
Comparative Tables		1 - 54
Table 1	Budget Policy and Structure	1 - 2
Table 2	Budget Preparation and Submission Procedures	3 - 7
Table 3	Appropriations	8 - 13
Table 4	Assessments (Contributions)	14 - 16
Table 5	Staff Assessment	17 - 19
Table 6	Working Capital Fund	20 - 22
Table 7	Reserve Accounts and Funds	23 - 26
Table 8	Surplus	27 - 32
Table 9	Miscellaneous Income	33 - 34
Table 10	External Borrowing Facilities	35 - 36
Table 11	Staff Costs	37 - 38
Table 12	Non-staff Costs	39 - 40
Table 13	Administrative and Support Costs	41 - 43
Table 14	Budget Increases (Decreases)	44 - 50
Table 15	Currency Fluctuation	51 - 54

/...

FOREWORD

1. This volume comprises 15 tables on a selection of budgeting techniques and methods used by the organizations of the United Nations system. Some of them also include other aspects necessary to understand budgeting and financing mechanisms of the system. The tables are designed to be as self-explanatory as possible. For more details, the relevant provisions of financial rules (F.Ru.), regulations (F.Re.) and manuals (F.M.) should be consulted.

2. Where appropriate, tables indicate the definitions of financial and budgetary terms provided by the CCAQ (ACC/1983/FB/1).

/...

TABLE 1 - BUDGET POLICY AND STRUCTURE

CCAQ Glossary definition: (referred to in the Glossary of Financial and Budgetary Terms, ACC/1983/FB/1):

"Budget" is "A plan in financial terms for the carrying out of a programme of activities in a specific period. Programme budget focuses upon the work to be undertaken and the objectives sought through that work: it emphasizes the ends to be achieved and translates them into the costs required for their implementation: decisions relate both to resource levels and to results to be achieved."

"Programme Structure" is "A hierarchical arrangement of programmes (e.g. major programmes, programmes, subprogrammes, programme elements)."

"Integrated Programme Budget Presentation" is "The combined presentation in a programme budget of activities financed both from the regular programme and from extrabudgetary resources."

"Full Budgeting" is "The concept of budgeting in which the estimates include provision for all increases or decreases in prices and salaries that can be foreseen or that result from the projection of trends through the entire period covered by the estimates."

Org.	Medium-term planning	Type of budget 1/	Programme structure	Budget composition	Budget cycle	Presentation of extrabudgetary resources	Full or semi-full budgeting	Unit of account	Currency of assessment
UN	Fixed-term 6 yrs. rolling plan for 1984-89 (extended for another 2 yrs. to 1991)	PB	- Major programmes - Programmes - Subprogrammes - Programme elements	2 Vol., 35 sections 11 parts Income in 2 parts: 1. Staff assessment 2. Other income; and 3 sections	Biennial (1988-89)	Integrated	Full	$US	$US
FAO	6 yr. period updating every 2 yrs. (medium-term objectives are incorporated in the main budget document)	PB	- Major programmes - Programmes - Subprogrammes - Programme elements	1 Vol., 8 chapters, 3 annexes (programmes by region, Budget by organizational unit and tabulator information).	Biennial (1988-89)	Integrated	Full	$US	$US
IAEA	2 yr. programme plus "programme trends"	PB	- Programme areas - Programmes - Areas of activity - Projects	1 Vol., 2 parts: 1. Programme budget; 2. Management plan; and 3 annexes	Annual (Biennial programme (1987-88))	Integrated	Semi-full	$US	Split assessment $US & Aus. Schill.
ICAO	The work programme covers a period of about 4½ yrs.	B	-	1 Vol., 6 parts, 2 appendices, 8 exhibits	Triennial (1987-89)	- (Separate presentation)	Full	$US	$US

1/ PB = Programme budget
B = Object of expenditure budget

.../

Org.	Medium-term planning	Type of budget 1/	Programme structure	Budget composition	Budget cycle	Presentation of extrabudgetary resources	Full or semi-full budgeting	Unit of account	Currency of assessment
ILO	Medium-term plans for 1982-87 and 1990-95	PB	- Major programmes - Programmes - Subprogrammes - Programme elements components (not indicated in the budget tables).	1 Vol, 5 parts, relevant annexes	Biennial (1988-89)	Integrated	Full	$US	$US (as from the biennium 1990-91 in SFr)
IMO	Long-term plan for 1988-92 was approved when the budget for 1986-87 was approved	B	-	1 Vol., 2 parts, 6 annexes, 8 tables	Biennial (1988-89)	-	Full	UK £	UK £
ITU	No medium-term planning	B	-	1 Vol., 3 parts, 3 recapitulative tables	Annual *	-	Full	SFr	SFr
UNESCO	6 yr. plan covering three biennia	PB	- Major programmes - Programmes - Subprogrammes - Programme actions - Components	2 Vol., 8 parts 19 appendices plus justifications	Biennial (1988-89)	Integrated	Full	$US	Split assessment $US & FFr
UNIDO	6 yr. programme (1990-1995)	PB	- Programmes - Subprogrammes - Programme elements	1 Vol., 6 parts, appendices	Biennial (1988-89)	Integrated	Full	$US	Split assessment $US & Aus. Schill.
UPU	No medium-term planning	B	-	1 Vol., 4 chapters	Annual **	-	Full	SFr	SFr
WHO	6 yr. Eighth General Programme of Work is for 1990-95 inclusive; evaluated & updated every 2 yrs.	PB	- Programmes	1 Vol., 15 sections, summary tables, information annexes	Biennial (1988-89)	Integrated	Full	$US	$US
WIPO	Medium-term plan for 1988-91 was approved when 1986-87 budget was approved.	B	(Details given of programme and connected expenses)	1 Volume	Biennial (1988-89)	Separate	Full	SFr	SFr
WMO	Long-term plan with shifting base 8 yrs, revised retroactively	PB	- Major programmes - Programmes - Projects	1 Vol., 7 parts	Quadrennial (1988-91) biennial appropriations	Integrated	Flexibility clauses in respect of staff salaries	SFr	SFr

1/ PB = Programme budget
B = Object of expenditure budget

* The actual budget is for seven years in the sense that the ITU Convention of Nairobi (1982) provides, in its Additional Protocol, the ceilings of the expenses during the period 1983-1989.

** The present annual budget is determined within a financial ceiling of five years (1985-89), which is indicated in the Acts concluded by the Congress held in Melbourne in 1984.

.../...

TABLE 2 - BUDGET PREPARATION AND SUBMISSION PROCEDURES

Org.	Budget preparation procedures by the Office	Budget proposal submission procedures	Group or committee of experts on budgetary and financial matters
UN	Budget policy is set by the SG through the Programme Planning and Budgeting Board (PPBB), a high-level management committee which is chaired by the SG or the DG of the United Nations. By issuing a call for budget proposals, providing base estimates and other standard cost data to organizational units, the Programme Planning and Budget Division (PPBD) of the Office for Programme Planning, Budget and Finance is responsible for co-ordination and supporting the preparation by programme managers of their budget proposals. Budget preparation is an interactive process which begins with submission of the proposals from each organizational unit to the PPBD for review. This review results in a recommendation to the PPBP which makes a decision regarding funding levels. This decision is reflected in the final document containing the SG's proposals to the GA.	(a) Off-budget years: - submission of the outline of the programme budget for the following biennium (first time prepared in 1988); - consideration by CPC, ACABQ and GA through the Fifth Committee; - submission of revised estimates to the budget, programme budget implication statements regarding draft resolutions for adoption by the GA, and financial implications of recommendations from subsidiary organs not having programmatic impact; - consideration by CPC (time permitting), ACABQ and GA through Fifth Committee; - submission of First Performance Report on the budget to take account of revisions to the rates of inflation used in the initial appropriation, new rates of exchange resulting in increases and decreases to the requirements in different duty stations, and new decisions of policy-making organs requiring action by the Secretariat; - consideration by ACABQ and GA through the Fifth Committee; (b) Budget years: - submission in April of the SG's proposed programme budget for the biennium beginning in the year following approval of the budget; - consideration by CPC, ACABQ and GA through the Fifth Committee (first reading); - submission of revised estimates to the proposed budget, programme budget implication statements regarding draft resolutions for adoption by the GA, and financial implications of recommendations from subsidiary organs not having programmatic impact; - consideration by ACABQ and GA through the Fifth Committee; - recosting of total proposed budget and additions recommended to the GA by the Fifth Committee to take account of latest rates of exchange and revisions to the assumptions for inflation based on most recent trends as a basis for the initial appropriation of the following biennium; - consideration by ACABQ and GA through the Fifth Committee (second reading of the proposed programme budget); - submission of Final Performance Report containing expenditure estimates for the biennium under implementation as a basis for the final appropriation of that biennium; - consideration by ACABQ and GA through the Fifth Committee.	The major functions of the Advisory Committee on Administrative and Budgetary Questions, as defined by the GA in resolution 14 (I), section A, of 13 February 1946, are: (a) To examine and report on the budget submitted by the SG to the GA; * (b) To advise the GA concerning any administrative and budgetary matters referred to it; (c) To examine on behalf of the GA the administrative budgets of the specialized agencies and proposals for financial arrangements with such agencies; (d) To consider and report to the GA on the auditors' reports on the accounts of the UN and of the specialized agencies. The Committee also performs other duties as may be assigned to it under the Financial Regulations of the UN. This Committee consists of 16 members appointed by the GA in their individual capacity, including at least three financial experts of recognized standing, whose terms shall not expire simultaneously. * Prior to technical examination by ACABQ, CPC is required to agree on the overall level of the budget.

.../

Org.	Budget preparation procedures by the Office	Budget proposal submission procedures	Group or committee of experts on budgetary and financial matters
FAO	The Office of Programme, Budget and Evaluation (PBE) prepares first the summary and then full programme of work and budget documents, based on the proposals submitted by each Division/Office in accordance with the DG's instructions.	The DG submits a Summary Programme of Work and Budget (SPWB) to the Programme and Finance Committees and Council. Taking into consideration comments of these bodies on the SPWB, a full PWB is prepared and submitted, through the Programme and Finance Committees and Council, to the biennial Conference for approval. (For the preparation of the PWB for the biennium 1990-91, the additional step of the Outline was approved by the Council at its 94th Session on an experimental basis.)	The Finance Committee is composed of representatives of 9 Member Nations. The individuals who have shown a continued interest in the objectives and activities of the Organization, have participated in Conference or Council sessions and have special competence and experience in administrative and financial matters, are elected for a period of 2 yrs. There is also the Programme Committee, composed of 11 individuals representing the Member Nations elected for 2 years as well. Both Committees have the possibility to meet jointly.
IAEA	After programme formulation phase, the DDG/AD and Division of Budget and Finance issue instructions and worksheets to facilitate "volume estimates" by area of activity and project, and after programme consultations with Member States, instructions and worksheets to facilitate budget estimates; preparation of budget consultations with Member States or groups of Member States with the aim of consensus.	After two consultation phases with Member States, the DG submits his draft budget estimates and programme to the Board of Governors : examination by the Administrative and Budgetary Committee; then Board itself. The Board submits its draft budget to the General Conference for approval; the estimates have to be transmitted to all Member States at least six weeks before the opening of the GC.	The Administrative and Budgetary Committee of the the Board of Governors (May) makes recommendations to the Board (June); 35 members of the Board, each represented by financial advisers on Admin. and Budgetary Committee.
ICAO	- Preparation of the triennial budget estimates Budget estimates are prepared by the Budgeting Department for each financial year of the triennium on the basis of the Work Programme. Estimates for salaries and staff benefits are prepared on the basis of the establishment, whereby current levels of staffing, anticipated recruitment and terminations as well as various economic indicators from the framework for the projection of staff costs. In drafting the estimates for other expenditure items, requests from individual allotment holders are taken into account. Miscellaneous income, such as sales of publications and bank interest is estimated on the basis of prices in effect modified by assumptions regarding exchange rates, inflation and other indices. The budget estimates are supported by schedules and explanatory text. - Annual financial forecast At the start of each financial year, allotments, which represent the approved level of spending for the year, are issued to all allotment holders. Expenditures are monitored in the course of the year and a mid-year review is performed in order to accommodate changing requirements of allotment	The SG's proposal of the Budget Estimates are presented to the ICAO Council, which refers them to the Finance Committee for review: - the Finance Committee, after considering the estimates, reports back to the Council. The Council in turn submits the Budget Estimates accompanied by the following documentation, to the Assembly: (a) a budget message from the Council giving an explanation of its estimates, including a summary of the proposed Work Programme of the Organization for the relevant financial year; (b) a draft budget resolution for each financial year approved by the Council and recommended for adoption by the Assembly; such a resolution shall specify by Parts the appropriations required for the relevant financial year and the manner in which it is proposed to finance these appropriations, and other relevant information; (c) comparative statements showing the appropriations and expenditures of the last completed financial year, the appropriations voted for the current year, and the amounts requested in the estimates; (d) supporting schedules of personnel services, classified by organization units, showing positions and rates of pay; and	The Finance Committee consists of 15 members elected from among the 33 members of the Council of ICAO. ICAO continued ...

Org.	Budget preparation procedures by the Office	Budget proposal submission procedures	Group or committee of experts on budgetary and financial matters
ICAO cont'd	holders and to revise the financial forecast in the light of changing economic conditions. Transfers of appropriations between budgetary Parts are recommended to Council in order to align the Budget with the revised forecast. Once the transfer of funds is approved, allotments are revised to meet updated requirements.	(e) such other supporting schedules and explanations as the Council may deem necessary and useful. - The Council's estimates, with their accompanying documentation, are transmitted to all Contracting States at least 90 days prior to the opening session of the Assembly. Amendments to the estimates may, however, be submitted by the Council to the Assembly at any time prior to the adoption of the Budget by the Assembly. - The Budget is voted by Parts by the Assembly. - After the adoption of the Budget by the Assembly, any request for supplementary appropriations is submitted to the Assembly by the Council in a form consistent with, and following the procedure of, the annual budget.	
ILO	The Bureau of Programming and Management prepares future budgets, and controls and manages the current ones, in close co-operation with the Financial and Central Administrative Services Department. In February of the year in which programme budget proposals are prepared, the Governing Body holds a discussion on programme priorities and resource parameters in real terms for the forthcoming biennium. Taking this into account, the DG gives guidance to programme managers for preparation of submissions. The cycle is the following: (i) submission of proposals by programme managers (after receipt of DG's guidelines); (ii) examination of proposals; (iii) analysis and recommendations by the Bureau of Programme & Management; (iv) submission to the Programme, Financial and Administrative Committee of the Governing Body.	- The DG's submission of the budget estimates to the GB for discussion in February in each odd-numbered year. - The report of the Governing Body's discussion is submitted to the Conference in June. - Adoption of the budget by the International Labour Conference.	The Programme, Financial and Administrative Committee (GB/PFAC), which is a committee of the GB, has its members elected by the GB from the delegates of governments and employers' or workers' groups.
IMO	The Finance Section prepares a consolidated draft budget on the basis of the annual programmes of work and necessary estimates which are submitted by appropriate officials.	- The SG's submission of the estimates to the Council. - The Council's submission of the budget estimates to the Assembly for adoption.	An Ad Hoc Working Group on Financial Matters has been established by a decision of the sixty-first session of the IMO Council. The Group is open to all members of IMO.
ITU	The Department of Finance (Budget Division) prepares the annual preliminary draft budget in different versions: - a traditional version (i.e. by type of expenditure); - a functional version, and - a version reflecting zero growth of the contributory unit of Members. The budget should also include a budget forecast for the next two years.	- Consultation with the Co-ordination Committee of the preliminary draft budget. - Preparation and submission to the Administrative Council of an annual draft budget and a preliminary budget for the following year covering the expenditures of the Union within the limits laid down by the Plenipotentiary Conference and comprising two versions	The Financial Committee, composed of all members of the Council, meets every year at the Administrative Council. There is also the Co-ordination Committee composed of 6 elected officials and the Contracts Committee. The preliminary draft budget is examined by the Co-ordination Committee. ITU continued ...

.../...

Org.	Budget preparation procedures by the Office	Budget proposal submission procedures	Group or committee of experts on budgetary and financial matters
ITU cont'd	.	(one, for zero growth of the contributory unit; the other, for a growth less than or equal to any limit fixed by Additional Protocol I after drawing on the reserve account). - The sending of the draft budget and the annex containing a cost analysis, after approval by the Council, to all Members of the Union.	
UNESCO	On the basis of the Medium-term plan approved by the General Conference, specific guidelines provided by the General Conference, the Executive Board and the Directorate and according to budget standards and specifications issued by the Bureau of the Budget, programme sectors submit their budget estimates. Submissions are reviewed for coherence by the Bureau of Studies and Programming and analyzed and consolidated into the draft Budget document by the Bureau of the Budget after DG's approval of the individual chapters.	(a) Off-budget years: - preparation by the secretariat of a general outline and preliminary estimates of the programme and budget for the following biennium; - consideration of the preliminary estimates by the Executive Board; - preparation of the draft programme and budget on the basis of decisions and recommendations of the Executive Board. (b) Budget years: - submission of DG's proposed programme and budget to Member States in March of the year preceeding the beginning of the biennial period; - review of the proposed budget and programme by the Executive Board in spring and autumn sessions; - submission of proposed budget and programme as may be revised by the DG together with the recommendations of the Executive Board to the General Conference in November of the year preceding the ensuing budget period.	UNESCO has a Programme Commission and a Finance and Administrative Commission, which are composed of members of the Executive Board. The Board has also established a Special Committee composed of 18 members (3 from each of the six regional groups) whose mandate is to study questions of general and special interest. This Committee, whose members may be assisted by experts, has been charged by the Board to study in 1988 questions relating to UNESCO's financial regulations and budgeting techniques. Ad hoc expert groups have already been involved in reviews and reforms of the Organization's budgeting techniques.
UNIDO	Under the instructions of the DG, the Financial Services Division prepares the proposals of the programme and budget in consultation with responsible officials.	- The DG's submission of the proposals to the Board through the Programme and Budget Committee; - The submission of the proposals to the General Conference for approval.	The Programme and Budget Committee, consisting of 27 members shall consider the proposals of the DG and submit to the Board its recommendations in the proposed programme of work and corresponding estimates of the regular and operational budgets.
UPU	The Section of Finance prepares every year draft budget as follows: - the preliminary draft is prepared on the basis of the requests made by and information obtained from personnel, logistics and finance sections; - the draft is prepared after the approval of the DG.	- The DG's submission of the draft budget (which includes the income and expenditure for the financial year) to the Executive Council; - the examination and approval of the budget by the Executive Council at its annual session; - the sending of the approved budget to the member countries as well as to the United Nations (UN-UPU Agreement).	There is a Finance Committee consisting of the members of the Council.

.../...

Org.	Budget preparation procedures by the Office	Budget proposal submission procedures	Group or committee of experts on budgetary and financial matters
WHO	- Appropriate officials submit biennial programmes of work and necessary estimates to Budget and Finance in such manner and at such times as may be requested; - such programmes of work and estimates submitted by Regional Directors accompanied by recommendations of the relevant Regional Committee. - Budget and Finance consolidates into a single presentation the programmes of work and necessary estimates (Article III of the Financial Regulations). - Appropriate officials submit supplementary estimates together with explanatory statements to Budget and Finance, if necessary.	In accordance with Articles 34, 55 and 56 of the Constitution, the DG prepares and submits to the Executive Board the proposed programme budget, which the Board then considers with its recommendations. The Health Assembly reviews the proposed programme budget and the Board's recommendations thereon and adopts an appropriation resolution for the two-year financial period in question.	Prior to the budget preparation the Programme Committee of the Executive Board reviews the proposed guidelines to programme managers and makes recommendations to the DG. Subsequently the Programme Committee reviews the global and interregional part of the proposals before the DG finalizes his consolidated PB proposals to the Executive Board and the Assembly.
WIPO	The Director General invites governments of all Member States to communicate to him any activities which they wish to see included in the draft programme of the succeeding exercise, and requests its Deputy Directors-General and Division Directors to make project proposals. The proposed activities and projects are discussed by the Director-General with the Deputy Directors-General and Division Directors. On the basis of decisions taken by the Director-General, the Budget & Finance Division then prepares the preliminary draft programme and budget.	- The submission of a preliminary draft programme and budget to WIPO Budget Committee; - the sending of the draft programme and budget to Member States together with the report on the Budget Committee meeting and the DG's observations on the report of the Budget Committee; - the submission of the programme and budget for approval to the 22 Governing Bodies of WIPO and the Unions administered by WIPO.	WIPO has a Budget Committee, consisting of 14 members elected by Member States.
WMO	The Finance and Budget Division is responsible for costing and price taking. It has no control over the proposals, but does screen obsolete and low priority items. It prepares budget documents. It makes proposals for a global budget of a 4-yr period.	- The SG's submission of budget estimates to the Executive Council; - comments by the Council on the proposed budget for the financial period (4 yrs.); - approval of maximum expenditure by Congress; - approval of the biennial budget by the Council; - possible submission of supplementary estimates by the SG; - approval of the supplementary estimates for the biennium by the Council.	- Financial Advisory Committee, whose Chairman is the President of WMO as well as of the Congress; - Ad hoc Committees are set up during the Congress and the Council in order to deal with financial questions (although they are of a co-ordinator nature).

/...

TABLE 3 - APPROPRIATIONS

CCAQ Glossary definition: "Appropriations" is "Amounts voted by the legislative organ for specified purposes for a financial period, against which obligations may be incurred for those purposes up to the amounts so voted."

"Appropriation Resolution" or "Budget Resolution" is "A resolution by the legislative organ of the organization approving the budget appropriations for a financial period and their financing."

"Appropriation Line" is "The largest subdivision of the budget of an organization within which the executive head is authorized to make transfers without prior approval."

"Supplementary Estimates" is "Proposals to adjust an approved budget."

Org.	Approving body or organ to decide on the appropriations	Definition of appropriations	Supplementary estimates or appropriations	Form of approval of appropriations and authorization to transfer	Appropriations structure
UN	The General Assembly decides on the recommendation of the Fifth Committee. (FR. 5.01)	The appropriations voted by the General Assembly constitutes an authorization to the SG to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted. (F.Re. 4.1)	Supplementary programme budget proposals may be submitted by the SG whenever necessary. (F.Re. 3.6). He will prepare supplementary programme budget proposals in a form consistent with the approved programme budget and will submit such proposals to the GA. ACABQ will review the supplementary proposals and report thereon (F.Re. 3.9)	(a) GA resolution (b) The SG is authorized to transfer credits between sections of the budget with the concurrence of ACABQ.	Appropriations are approved separately for estimates of expenditure and income. The structure follows the presentation of the budget: Parts and sections within parts. The 1988-89 budget appropriation is divided into 10 parts as follows: Part I. Overall policy-making direction and co-ordination Part II. Political and security Council Affairs; peace-keeping activities Part III. Political affairs, trusteeship and decolonization Part IV. Economic, social and humanitarian affairs Part V. International justice and law Part VI. Public information Part VII. Common support services Part VIII Special expenses Part IX. Staff assessment Part X. Capital expenditures The total number of sections is 35. The difference in the number of parts between 1988-89 and 1986-87 relates to Part XI for Special grants which was approved on a non-recurrent basis in 1986-87.
FAO	The FAO Conference	The definition of appropriations is approximately the same as that of the UN. (F.Re. 4.1(a))	Supplementary estimates to cover emergency expenditure in accordance with F.Re. 6.3 (i.e. withdrawals from the WCF for financing emergency expenditure to be approved in advance by the Council) may be submitted by the DG when and as he may deem necessary. (F.Re. 3.8)	(a) The Conference adopts a resolution. (b) Transfers within the same chapter of the budget may be effected by the DG who shall report such transfers to the Finance Committee in instances where funds are moved from one Division to another. With regard to transfers from one	The budget is divided into chapters: Chap. 1. General policy and direction Chap. 2. Technical and economic programmes Chap. 3. Development support programme Chap. 4. Technical Cooperation Programme Chap. 5. Support services cont'd

.../

Org.	Approving body or organ to decide on the appropriations	Definition of appropriations	Supplementary estimates or appropriations	Form of approval of appropriations and authorization to transfer	Appropriations structure
FAO cont'd			Supplementary estimates are prepared in a form consistent with the estimates for the financial period and submitted to the Conference and to the Council. The Council reviews such estimates and reports thereon to the Conference. (F.Re. 3.9)	chapter to another for expenditures not involving additional financial obligations for Member Nations and Associate Members, they may be effected by the DG with approval of the Finance Committee, or by the Council between sessions of the Finance Committee.	Chap. 6. Common services; Chap. 7. Contingencies; Chap. 8. Tax Equalization Fund
IAEA	The General Conference after having examined the recommendations of the Board of Governors.	The definition of appropriations is similar to that of the UN. (F.Re. art. 4)	The Board may submit to the General Conference such supplementary estimates as it may deem necessary. (F.Re.3.04) (Supplementary estimates are requested and approved rarely.)	(a) The General Conference adopts a resolution. (b) No transfer between appropriation sections shall be made without authorization by the Board of Governors. (F.Re. 5.05)	The budget is divided into 9 sections: 1. Technical assistance and co-operation 2. Nuclear energy and safety 3. Research and isotopes 4. Operational activities 5. Safeguards 6. Policy-making organs 7. Executive management and administration 8. General services 9. Shared support services (cost of work for others)
ICAO	The Assembly upon submission by the Council.	The definition of appropriations is similar to that of the UN. (F.Re. art. V.5.1)	After the adoption of the budget by the Assembly, any request for supplementary appropriations outside the provisions related to appropriations may be submitted to the Assembly by the Council in a form consistent with, and following the procedures of, the annual budget. (F.Re. 4.11)	(a) Assembly resolution (A26-20 for the triennium 1987-89) pursuant to Article 61, Chap. XII of the Convention. (b) Transfers between Sections within Parts may be effected by the SG with the approval of the Finance Committee. Transfers from one Part to another may be effected by the SG with the prior approval of the Council after obtaining the advice of the Finance Committee. Such transfers shall be reported to the Assembly.	The budget is divided into Parts and Sections: Part I. Meetings Part II. The Secretariat Part III General Services Part IV. Equipment Part V. Other budgetary provisions Part VI. Contingencies
ILO	The ILO Conference after the Governing Body has examined the proposals.	The definition of appropriations is similar to that of the UN. (F.Re. art. 13)	The DG may incorporate the estimates for expenditure or a purpose for which a budgetary provision is not made and estimates for any increase in the budget which he considers it necessary to propose, in a single supplementary budget, which will be circulated to the Members of the Organization not later than 2 wks before the opening of the annual Conference. (F.Re. art. 7)	(a) The ILO Conference approves a resolution (b) Transfers from one item to another in the same part of the expenditure budget may be effected by special resolutions of the Governing Body. Such resolutions shall be communicated to the Conference. No transfers may be made between the parts of the expenditure budget (F.Re. Art. 16)	The budget is divided into 5 parts: Part I. Ordinary budget (33 major programmes) Part II. Unforeseen expenditures Part III Working capital fund Part IV. Effects of exchange rate adjustments Part V. Undistributed reserve In the ILO, an appropriation line corresponds to a major programme.

.../

Org.	Approving body or organ to decide on the appropriations	Definition of appropriations	Supplementary estimates or appropriations	Form of approval of appropriations and authorization to transfer	Appropriations structure
IMO	The Assembly after submission by the Council.	The definition of appropriations is the same as the UN. (F.Re. art. 4.1)	Supplementary estimates may be submitted, whenever necessary, by the SG to the Council for approval. Such estimates should be prepared in a form consistent with the regular estimates. (F.Re. 3.8)	(a) the Assembly votes the budget appropriations by sections and in toto for the calendar year to which they relate. For 1986-87 budget, resolution A.593(14). (b) The Council may authorize transfers between sections of the budget and to the same section in the second calendar year, provided that these transfers do not result in a total amount of expenditure in excess of the appropriations authorized by the Assembly for a financial period. (F.Re. 3.6(b)) Such transfers should not exceed 10% of the smaller amount of the two annual appropriations for the sections concerned. (F.Re. 4.4)	The budget is divided into 5 sections: I. Meetings and travel II. Personnel III. General services IV. Publications and public information V. Other budgetary provisions
ITU	The Plenipotentiary Conference, which was held in Nairobi in 1982.	Limits on expenditure is set by the Plenipotentiary Conference. (F.Re. art. 3)	-	(a) The International Telecommunication Convention, which was established by the Plenipotentiary Conference indicates, under Additional Protocol 1, the ceilings of expenses of the Union for the period 1983 to 1989. Under this the Conference has authorized the Administrative Council to draw up annual budgets for the period 1983-89 of the Union, without exceeding a set of ceilings for each year. (b) The SG may effect transfers of credits from one item to another within the same sub-heading. No other transfers of credit may be effected without the authorization of the Administrative Council. (F.Re. 11-1 and 11-2)	The annual budget consists of the following sections: - the ordinary budget: Sections 0 to 19 - the regional conferences budget: Section 20 - the Technical Cooperation special accounts budget: Section 21 - the supplementary publications budget: Sections 24 to 26

/...

Org.	Approving body or organ to decide on the appropriations	Definition of appropriations	Supplementary estimates or appropriations	Form of approval of appropriations and authorization to transfer	Appropriations structure
UNESCO	The General Conference	The definition of appropriations is the same as the UN. (F.Re. art. 4)	Supplementary estimates may be submitted by the DG whenever necessary in a form consistent with the estimates for the financial period to the Executive Board. (F.Re. 3.8) Supplementary estimates to a total of 7.5% of the appropriation for the financial period may be approved provisionally by the Executive Board, after it is satisfied that all possibilities of savings and of transfers within Parts I to VI of the Budget have been exhausted, and will be reported to the General Conference for final approval. Supplementary estimates in excess of 7.5% of the appropriations for the financial period will be reviewed by the Executive Board and submitted to the General Conference with such recommendations as the Board may consider desirable. (F.Re. 3.9)	(a) The General Conference adopts a resolution. (b) The resolution provides guidance for transfer from one appropriation line to another, with restrictions clearly spelt out. Such transfers are to meet the approval of the Executive Board. Details of such transfers are to be given to the Executive Board later.	The budget consists of 29 appropriation lines contained within eight parts: Part I. General policy and direction Part II. Programme operations and services Part III. Programme supporting services Part IV. General administrative services Part V. Common services Part VI. Capital expenditure Part VII. Anticipated cost increases Part VIII. Currency adjustment
UNIDO	The General Conference	The definition of appropriations is the same as the UN. (F.Re. Art. IV, Reg. 4.1)	Supplementary estimates for the current fiscal period for the regular and operational budget may, when required, be submitted by the DG. They shall be prepared in a form consistent with the approved budget, and they will be reviewed and approved in accordance with the procedure laid down for the initial estimates. (F.Re. 3.9) Revised estimates for the following fiscal period for the regular and operational budgets may, when required, be submitted by the DG. They will be prepared in a form consistent with the initial estimates, and they will be reviewed and approved in accordance with the procedure laid down for the initial estimates except that the applicable time limits for the submission of documents may be waived if necessary. (F.Re. 3.10)	(a) The General Conference adopts a resolution. (b) No transfer of expenditures may take place between the regular and the operational budget. No transfer between major objects of expenditures within regular budget may take place, except when approved by the General Conference. (F.Re. 3.11) Transfers within major objects of expenditures of regular budget may be made by the DG, who must inform the Board and the Conference. (F.Re. 4.5)	The budget is divided into programmes and subprogrammes: - Policy-making organs - Executive Direction and management - Programme and project development - Ind. Promotion, Consultations and Technology - Industrial operations - External relations, public information, languages and documentation - Administration

.../

Org.	Approving body or organ to decide on the appropriations	Definition of appropriations	Supplementary estimates or appropriations	Form of approval of appropriations and authorization to transfer	Appropriations structure
UPU	The Congress, which was held in Hamburg in 1984.	It is the approval of the budget which constitutes an authorization to the DG to incur expenditure commitments and to make payments for the purposes for which credits have been opened and, subject to paras. 2 and 3, up to the amount of the credits allocated. (F.Re. 13-1)	- The DG is authorized to commit above the credits allocated the amounts required to cover expenditure incurred by increases in salary scales, contributions for pensions or allowances, including post adjustments, in accordance with the relevant decisions taken by the United Nations for the staff of the UN Offices at Geneva and with effect from the same dates. (F.Re. 13-2) - In case of extreme urgency, the DG is authorized to commit the necessary expenditure to meet the cost of major and unforeseen repairs to the International Bureau building. (F.Re. 13-3) (In the cases mentioned above the DG should submit to the next meeting of the Executive Council a full report with all the documentation necessary justifying the steps taken and a statement of the financial consequences.) (F.Re. 13-4)	(a) The Executive Council adopts a resolution on the basis of a financial ceiling indicated in the General Rules (Acts of Hamburg) (Art. 124, para. 1) which was fixed by the Congress held in Hamburg in 1984.	The budget is divided into 4 chapters and articles: Chap. 1. Staff expenditure Chap. 2. Other international operating expenses Chap. 3. Expenditure relating to Congress Chap. 4. Payment into Reserve Fund
WHO	The World Health Assembly	The definition of appropriations is the same as for the UN. (F.Re. 4.1)	Supplementary estimates may be submitted to the Board by the DG whenever necessary to increase the appropriations previously approved by the Assembly. Such estimates should be submitted in a form and manner consistent with the budget estimates for the financial period. (F.Re. 3.10) In the assessment of the contributions of Members, adjustments will be made to the amount of the appropriations approved by the Assembly in respect of, inter alia, supplementary appropriations for which contributions have not previously been assessed on Members. (F.Re. 5.2)	(a) The Assembly adopts a resolution (WHA 40/37 for the 1988-89 period). (b) The DG is authorized to make transfers between the sections that constitute the effective working budget up to an amount not exceeding 10% of the amount appropriated for the section from which the transfer is made (section 1). Other transfers may be made by the DG, with prior concurrence of the Executive Board. Report on such transfers to be made to the Executive Brd. at the next session. (F.Re.4.5)	The budget is divided into sections: 1. Direction, co-ordination and management 2. Health system infrastructure 3. Health science and technology: health promotion and care 4. Health science and technology: disease prevention and control 5. Programme support 6. Transfer to TEF 7. Undistributed reserve Sections 1 to 5 comprise the Effective working budget.

/...

Org.	Approving body or organ to decide on the appropriations	Definition of appropriations	Supplementary estimates or appropriations	Form of approval of appropriations and authorisation to transfer	Appropriations structre
WIPO	The Governing Bodies of WIPO and the Unions administered by WIPO.	The definition of appropriations is the same as the UN. (F.Re. 3.4 (b))	-	(a) Decisions of the Governing Bodies of WIPO and the Unions administered by WIPO. (b) The D-G may make transfers from one heading of the budget to another for any given financial period up to a limit of 5% of the total funds credited for that period. (F.Re. art. 4)	The budget is presented in chapters and headings, covering the following: - Staff expenses - Travel on official business - Contractual services - General operating expenses - Supplies and materials - Acquisition of furniture and equipment - Acquisition and improvement of premises - Fellowships - Other expenses
WMO	The Congress which takes place every four years. (The tenth Congress covers the tenth budgetary period 1988-91.)	The definition of appropriations is the same as for the UN. (F.Re. IV, art. 4.1)	Supplementary estimates for the financial period may be submitted to the Executive Council by the SG during the interval between the submission of the estimates to the Executive Council and the opening of the Congress. Each supplementary estimate should be prepared in a form consistent with the applicable portion of the estimates for the financial period. (F.Re. 3.7-3.9)	(a) The Congress adopts a resolution (Res. 27 (Cg-X)). The maximum expenditures are authorized. The authorization is given to the Executive Council to approve appropriations for each of the two biennia comprising the financial period. The total appropriations should not not exceed the amount voted by the Congress. (b) Transfers between parts may be authorized by the Executive Council, subject to the total amount of such transfers not exceeding 3% of the total expenditure authorized for the financial period. (F.Re.4.2)	The budget is divided into parts, sections, chapters and articles: 1. Policy-making organs 2. Executive management 3. Scientific and technical programmes (eight programmes) 4. Technical co-operation programme 5. Programme support services 6. Administration 7. Other budgetary provisions

../...

TABLE 4 - ASSESSMENTS (CONTRIBUTIONS)

CCAQ Glossary definition: Assessment (Scale of) or Contributions (Scale of) is "A scale established by the legislative organ to apportion the expenses of the organization for a given period among Members."

Org.	Method to establish scale	Total assessments	Contributions payable per annum
UN	The General Assembly determines the scale of assessments for the financial year on the advice of the Committee on Contributions. This Committee consists of 10 members appointed in their personal capacity. In establishing the amount to be assessed, the appropriations are adjusted by taking into account (a) supplementary appropriations not previously assessed; (b) estimated misc. income; (c) adjustments in respect of over- or under-estimates of misc. income of previous years; (d) contributions from the assessments of new Member States; (e) any balance of appropriations for prior years surrendered in terms of financial regulation 4.3; (f) any credit anticipated in the individual accounts of Members in the Tax Equal. Fund; (g) other adjustments as approved by the General Assembly. (FR. art. 4.01) (However, in view of general dissatisfaction with the existing methodology and criteria for determining the scale of assessments, the Assembly has requested the Committee of Contributions to undertake a comprehensive review of all aspects of the existing methodology (Res. 41/203, A, B, C))	Made up of the total appropriations minus Miscellaneous income (estimated)	Contributions are assessed annually on the basis of half of the biennial appropriation approved by the General Assembly, adjusted as follows: plus - Supplementary appropriations not previously assessed on Members; minus - Half the estimated miscellaneous income; - Any balance of the appropriation surrendered as a result of liquidation or cancellation of financial obligations from a prior biennium; - Half of the Members' credits in the Tax Equal. Fund estimated to be not required to meet charges for tax refunds during the year.
FAO	Established on the basis of procedure of UN and adjusted to different membership, with the exception of contributions from Associate Members, for which calculations are made on the same basis as contributions for Member Nations, but reduced by four tenths. The Conference adopts the scale of assessments to be apportioned to Member Nations.	Made up of the total appropriations minus Miscellaneous income (estimated)	The assessments as set out per annum minus Credits from the TEF.
IAEA	Based on the UN scale of assessments, adjusted for different membership (used for WCF and Technical Co-operation). For regular budget the final scale takes into account principles applied to safeguard charges. Scale fixed yearly by the General Conference.	Total budget estimates for 9 appropriation sections minus Appropriation section 9: Revenues deriving from work for others minus Other miscellaneous income	
ICAO	The scale of assessment is fixed by the Assembly: UN scale weighted 75%, aviation importance 20%, which is measured by international air service 75% and domestic 25% based on the tonnage kms.	Total appropriations for Parts I to IV (see Table 5) minus Miscellaneous income (estimated)	Total per annum appropriations minus Miscellaneous income and, if applicable, part of the realized cash surplus of the previous budgetary period on a pro rata basis.

Org.	Method to establish scale	Total assessments	Contributions payable per annum
ILO	On the basis of the UN scale of assessments, adjusted to take into account differences in membership between UN and ILO. The Allocations Committee examines and recommends to the Governing Body the scale for adoption by the Conference.	Parts I to V (see Table 5)	50% of Parts I to V minus Any part of cash surplus from a previous budgetary period deducted from the contributions of Member States which have completed payment of their contributions for the period in which the cash surplus arose.
IMO	The scale of assessments is fixed by the Assembly: 10% on the basis of the UN scale, 90% on the merchant tonnage of the country.	Budget estimates for Sections 1 to V (see Table 5)	Annual appropriations minus Miscellaneous income minus Transfers (if available from cash surplus)
ITU	No fixed scale of assessment. Member States choose between classes decided upon at each Plenipotentiary Conference on the basis of units corresponding to contribution classes. No reduction in a unit classification chosen.	Total contributory units of ITU Members is 391 1/4 for the 1988 ordinary budget. The contributory unit for the Members was fixed at SF 229,800 in 1988.	Cover expenditure for the ordinary budget (Sections 0 to 10 (see Table 5) plus Payment into or minus withdrawal from the Reserve Acct.
UNESCO	The scale of assessments is fixed on the basis of the UN scale of contributions adopted by the General Assembly, and adjusted to different membership of UNESCO.	Total budget estimates for Parts I to VIII (see Table 5) minus Miscellaneous income (estimated)	As for the UN: 50% of the amount assessed for the biennium.
UNIDO	The scale of assessments is fixed on the basis of the UN scale of contributions adopted by the General Assembly.	Total appropriation for the programmes (see Table 5) minus Estimated income from staff assessment and miscellaneous income.	Half the amount assessed for the biennium minus Income from staff assessment minus Miscellaneous income
UPU	Member Countries may choose the class in the scale that they wish to pay when admitted as members. They cannot request to be "declassified" by one level more than once, except in exceptional circumstances.	Recurrent net expenditures: gross expenditure of Chapters 1 and 2 (see Table 5) minus Administrative receipts: reimbursement of costs; proceeds from sales of publications; letting of premises; sundry receipts	Total amount assessed plus Payment into Reserve Fund minus Withdrawal from the Reserve Fund

/...

Org.	Method to establish scale	Total assessments	Contributions payable per annum
WHO	The scale of assessments is fixed on the basis of the UN scale of contributions adopted by the General Assembly, and adjusted to different membership of WHO.	Amount for appropriation of Sections 1 to 5 (see Table 3) plus Transfer to the TEF; Undistributed Reserve minus Reimbursement of programme support costs by UNDP; casual income.	50% of the amount assessed for the biennium. minus The amount standing to their credit in the TEF.
WIPO	WIPO and the Program Unions administered by it have a "class and unit" system of contributions. States Members of the Paris, Berne, Nice, Locarno, IPC and Vienna Unions choose one of the 7 classes for the purpose of determining the amount of their contributions. States Members of WIPO which are not members of any of the Unions choose one of 3 classes. States in class I (or A) pay the highest contributions and those in class VII (or C) the lowest. The States decide, and their rights are the same, irrespective of the class chosen.	The contributions are made by Member States to the Unions. The amount of the contributions for each Union is total expenditure. minus Other income for that Union. Separate amounts are determined for WIPO contributions.	50% of the amount assessed for the biennium.
WMO	The scale of assessments is fixed as follows: 50% on the basis of the UN scale; 50% of the WMO scale of assessment for the year 1987.	The total of "maximum expenditures" for the 7 Parts of the budget (see Table 3) minus Miscellaneous income	25% of the total assessments.

.../

TABLE 5 - STAFF ASSESSMENT

CCAQ Glossary definition: Staff assessment is "A deduction from the gross salary of a staff member of an amount in lieu of income tax."

Gross budgeting (staff costs) is "The form of budgeting in which staff costs are estimated on the gross basis, i.e. inclusive of staff assessment."

Net budgeting (staff costs) is "The form of budgeting in which staff costs are estimated on the net basis, i.e. exclusive of staff assessment."

Tax Equalization Fund is "A fund to which is credited the revenue from Staff Assessment (q.v.) and which is reduced by: (a) refunds to staff for income taxes levied on their emoluments; and (b) credits against the assessed contributions of Members, in proportion to their assessments but less any income taxes they have levied on the emoluments received from the organization by the staff."

Org.	Budgetary presentation	Financial arrangements (assessments)	Tax reimbursement arrangements
UN	Budgetary estimates of expenditure are prepared on the basis of gross salary scales. However, the individual sections of the budget reflect net salary scales (i.e. gross salary less applicable staff assessment), a procedure which allows budgetary comparability with other organizations of the United Nations system. In order to bring the proposed estimates of expenditure up to the required gross levels, the difference between gross and net emoluments is shown in Section 31, under Part IX of the budget estimates. The offsetting amount is shown under the income section of the estimates.	Member States are assessed on a net basis (i.e. exclusive of staff assessment), except for the United States which is assessed on a gross basis.	A Tax Equalization Fund (TEF) has been established to receive all revenues derived from amounts withheld from the salaries of staff members on account of staff assessment which are not otherwise disposed of by specific decision of the General Assembly. Credits to Member States are recorded in the accounts of the Fund in the proportion of the scale of assessments determined by the GA for each Member State for each calendar year of the financial period concerned. Any adjustments for prior financial periods are made in the proportion of the scale of assessments for each Member State in effect for the calendar year for which such adjustments are taken into account in the resolution on the financing of appropriation. The credit of a Member State is utilized to refund staff members for income taxes levied by that Member State in respect of income derived from the UN, provided that the total of such funds is in excess of the Member State's credit in the Fund. Any excess is charged to the regular budget of the United Nations. (F.Re. 105.2)
FAO	The budget is presented on a gross basis, by adding to the total effective working budget an appropriation for staff assessment. For budget comparison purposes with the organizations of the UN system, a Standard Budget Table is given with the net salaries.	Member States are assessed on a net basis, that is, after deduction of staff assessment from gross, and after deduction of expected income (Effective Working Budget).	A Tax Equalization Fund was established in 1972. Member Nations which do not levy tax on FAO staff emoluments have their full share of the staff assessment appropriation refunded by deduction from the contributions payable by them. Member Nations which levy tax on FAO staff emoluments have their share of the appropriation for staff assessment reduced by the amount estimated to be required to meet claims from FAO staff concerned for tax reimbursement, and adjusted the following budget period.

.../

Org.	Budgetary presentation	Financial arrangements (assessments)	Tax reimbursement arrangements
IAEA	No staff assessment; the budget is presented on a net basis.	Member States are assessed on a net basis.	None
ICAO	The budget is presented on a net basis as adopted since the 1987 triennium.	The effective working budget since 1987 does not include staff assessment. Handling of staff assessment is only in the "paper work" of pay scales. Assessment is on net basis.	None
ILO	The budget is presented on a net basis. Staff assessment is not used in any way in the budget presentation, nor on the staff pay slip.	Member States are assessed on a net basis.	The Tax Reimbursement Agreement used at ILO is only for the US Government. ILO reimburses staff members who are US citizens, and sends the US Government an invoice to reimburse ILO for the amounts so advanced.
IMO	The budget is presented on a net basis. Staff assessment is indicated in the scale of salaries of staff and mentioned in the Staff Rules, but not used for the budget.	Member States are assessed on a net basis.	None
ITU	The budget is presented on a net basis.	Member States are assessed on the basis of the budget approved by the Administrative Council, in line with the ceiling of expenses set up in the Additional Protocol of the Nairobi Conference.	None
UNESCO	The budget is presented on a net basis. Budgetary accounts reflect staff costs net of staff assessment. When the system was introduced in 1965-66 information was provided in the programme and budget on the theoretical amount of staff assessment. However, in applying the wish expressed by the General Conference and the Executive Board that its programme and budget document be simplified as much as possible, the description of staff assessment was discontinued.	Member States are assessed on a net basis.	None
UNIDO	The Budget Estimates are presented in two ways: (i) on a gross basis with staff assessment included, later deducted under Other Income; and (ii) on a net basis. The summary of appropriations and estimates is inclusive of staff assessment.	Member States are assessed on a net basis.	None
UPU	The budget is presented on a net basis, as UPU does not have staff assessment.	Member States are assessed on a net basis.	None

.../...

Org.	Budgetary presentation	Financial arrangements (assessments)	Tax reimbursement arrangements
WHO	While the budget is presented on a gross basis, the Effective Working Budget is net of staff assessment. The appropriation section entitled "Transfer to Tax Equalization Fund" includes the total amount of staff assessments under the regular budget. The budget takes into account both "Credits from TEF and Estimated Tax Reimbursement payable from TEF".	Member States are assessed taking into consideration the amounts standing to their credit in the TEF.	WHO has a Tax Equalization Fund. For Member States which levy tax on their nationals working at WHO, their estimated credit is reduced by the amounts to be paid by those nationals in reimbursement of such direct taxes.
WIPO	The budget is presented on a net basis.	Member States are assessed on a net basis and according to the determined amounts for contributions.	The Tax Reimbursement Agreement was concluded with the US Government in Dec. 1988. This Government will deposit with WIPO at the earliest possible date each year a sum sufficient to cover all tax reimbursements paid by WIPO in respect of the preceding tax year in accordance with this Agreement.
WMO	The budget is presented on a net basis.	Member States are assessed on a net basis.	The Tax Reimbursement Agreement was concluded by the US Government in Jan. 1987. (See above.)

- 19 -

.../

TABLE 6 - WORKING CAPITAL FUND

CCAQ discussed at its eighth session (Feb. 1950) the arrangements of the organizations for working capital funds, their utility and their adequacy. CCAQ agreed that each organization should have a WCF for financing expenditure pending receipt of contributions, and for unforeseen and extraordinary expenses, and that the Fund should be subject to regular resolutions of the respective legislative bodies (CC/A.8/785; Co-or. PREP/R.176).

CCAQ Glossary definition: Working Capital Fund is "... established by the appropriate legislative organ to finance budgetary appropriations pending receipt of Members' contributions and for such other purposes as may be authorized."

Org.	Purposes (references)	Sources of funding	($US 000) 1988 budget	($US 000) Budget/estimates for budgetary period (yrs.)	($US 000) level of WCF	Percentage between level of WCF and 1988 budget	Percentage between level of WCF and budgetary period
UN	(a) To finance budgetary appropriations; and (b) to finance unforeseen and extraordinary expenses or other authorized purposes. (F.Re. 6.2 to 6.4)	Advances from Member States in accordance with the scale of assessment as determined by the GA.	884,793. 1	1,769,586. 3 (1988-89)	100,000	11. 3	5. 65
FAO	To advance moneys to the General Fund in order (a) to finance budgetary expenditures pending receipt of contributions to the budget; (b) to finance emergency expenditures not provided for in the current budget; (c) to make reimbursable loans for such purposes as the Council may authorize in specific cases. (F.Re. 6.2(a))	Advances from Member Nations in accordance with the scale of contributions; collection of arrears; the following biennium budgetary savings.	246,180	492,360 (1988-89)	17,000 as from 1. 1. 88 and 20,000 as from 1. 1. 89	6.91 (1988) 8.12 (1989)	3. 45 (1988) 4. 06 (1989)
IAEA	The amount and purposes of the WCF are recommended by the Board of Governors to the General Conference (Annual Res.). (F.Re. 7.03-7.06)	Advances from Member States	137,357	137,357 (1988)	2,000	1.46	1. 46
ICAO	Advances are made: (a) to the General Fund to finance budgetary appropriations pending receipt of contributions from Contracting States; (b) to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention; (c) in cases where the Council has approved appropriations under F.Re. 5.2 b), to the relevant special fund created under F.Re. 8.4 subject to the limit therein specified. (F.Re. 7.2)	Advances by Contracting States	32,105 *	96,622 * (1987-89)	2,200 *	6.85	2. 28

Org.	Purposes (references)	Sources of funding	($US 000) 1988 budget	($US 000) Budget/estimates for budgetary period (yrs.)	($US 000) level of WCF	Percentage between level of WCF and 1988 budget	Percentage between level of WCF and budgetary period
ILO	(a) To finance budgetary expenditure pending receipt of contributions or other income; (b) in exceptional circumstances and subject to prior authorization of the GB, to provide advances to meet contingencies and emergencies (see Table 7). (F.Re. 19-21)	No established ceilings, subject to constant review by legislative organs. Composed of (a) moneys placed in the Fund by the Members of the Organization, the amount of the share of each Member being assessed in accordance with the budgetary scale of contributions. (Such sums are carried to the credit of the Members which have paid them. (F.Re. 19.3); (b) any sums which the Conference may cause to be paid into it from time to time. (Such sums are carried to the credit of the organization. (F.Re. 19.3)); (c) Misc. income; (d) interest earned on the Fund. (F.Re. 20.2)	162,430	357,023 (1988-89)	12.079	7.44	3.38
IMO	(a) To finance budgetary appropriations, and (b) to meet additional expenditures arising from exchange rate movements; (c) for unforeseen and extraordinary expenses or other authorized purposes. (F.Re. 6-1 to 6-6; F.Ru. 106-1)	(a) Advances from Member States; (b) transfer from the Printing Fund surplus; (c) transfer from the 1982 cash surplus; (d) transfer from Exchange Reserve Fund in 1988 (see Table 7).	16,482 *	33,700 * (1988-89)	2,250	13,65	6.68
ITU	No WCF (see Table 7).	-	-	-	-	-	-
UNESCO	(a) To provide advances for financing budgetary appropriations pending receipt of contributions from Member States; (b) other purposes to be determined by the General Conference. (F.Re. 6.2 to 6.5)	(a) Advances deposited by Member States.	175,193	350,386 (1988-89)	15,000	8.56	4.28
UNIDO	To finance (a) budgetary appropriations: (b) unforeseen and extraordinary expenses, excluding expenditures intended to compensate for any loss caused by fluctuation in exchange rates. (F.Re. 5.4)	Advances	122,533 *	205,066 * (1988-89)	9,000 *	7.34	4.39
UPU	No WCF. (However, Member Countries pay their contributions in advance and this can be considered as the WCF. Payment is generally made on 1 January.)	-	-	-	-	-	-

Org.	Purposes (references)	Sources of funding	($US 000) 1988 budget	($US 000) Budget/estimates for budgetary period (yrs.)	($US 000) level of WCF	Percentage between level of WCF and 1988 budget	Percentage between level of WCF and budgetary period
WHO	Pending receipt of contributions, the appropriations may be financed by the WCF. (The amount and purposes determined from time to time by WHO Assembly.) (F.Re. 6-2 to 6-4)	(a) Advances from Members; (b) amounts of casual income to be transferred to the WCF from time to time.	352,438	705,509 (1988-89)	11,155	3.2	1.6
WIPO	(a) To meet any insufficiency in liquidity due to late payment or non-payment of contributions by Member States (Doc. AB/XVI/7, para. 8); (b) to meet fluctuations in the amount of fees received and the time of their receipt. (Doc. AB/XVI/9, para. 3)	Payments made by Member States.	37,181 *	74,565 * (1988-89)	5,446 * **	14.6	7.3
WMO	Established for an amount fixed by the Congress and for purposes to be determined from time to time by the Executive Council. (F.Re. 9.3 to 9.6)	Advances by Members.	24,447. 9 *	171,190. 5 * (1988-91)	2,500 *	10.23	2.47

* Total equivalent in $US.

** This is the overall amount for WIPO as a whole. The Paris, Berne, IPC, Nice, Locarno, PCT Madrid and The Hague Unions have specific ceilings established by their respective Governing Bodies.

.../...

TABLE 7 - RESERVE ACCOUNTS AND FUNDS

Org.	Title	Source of Funding	Purposes	Size/Amount	Notes
UN	Special Accounts	Voluntary contributions from Member States.	To clear up the past financial difficulties and especially to resolve the short-term deficit of the Organization.	$US 53,726,600 as at 31 December 1988	- Established by GA resolutions 2053 A(XX) and 3049 A(XXVII). The Contingency Fund was established in 1987 (GA resolutions 41/213 and 42/211) in order to cover the following: (a) Additional resources that may be required as a result of the consideration of statements of programme budget implications; (b) Revised estimates in respect of: (i) Amounts required over and above the estimates in the proposed programme budget for activities which had been included in the proposed programme budget but which were not acted upon at first reading pending the submission of additional information; (ii) Additional requirements for construction related only to changes in the scope of the projects which are so urgent that the matter cannot wait to be considered in the context of the budget outline; (iii) Additional requirements resulting from legislative mandates. This Fund will be included as part of appropriations in a form of revised appropriations. The level was fixed at 0.75% of the preliminary estimate at 1990-1991 rates (i.e. $US 15 million) (GA resolutions 43/213 and 43/214). - At its forty-third session, the GA considered the possibility of establishment of a reserve that would cover additional requirements due to currency fluctuation, non-staff costs, inflation and statutory cost increases for staff. It will consider at its forty-fourth session the formulation of procedures for the operation of such a reserve (resol. 43/214).
FAO	Special Reserve Account (SRA)	composed of: - savings on staff costs arising from favourable differences between the Lire exchange rate used in calculating the budget and the effective UN rate; - any balance of funds remaining in the SRA at the end of a biennium up to an amount equivalent to 5% of the total working budget for the subsequent biennium;	(a) Whenever the WCF is insufficient to finance budgetary expenditure pending receipt of contributions from Member Nations to the budget. (b) To finance unbudgeted extra costs due to movements of currency exchange rates (i.e. extra staff costs that are affected by movement of currency exchange rates).	Up to an amount equivalent to 5% of total effective working budget of the relevant biennium.	Established in 1977 (Conference resolution 27/77) and revised in 1981 (resolution 15/81). FAO continued ...

Org.	Title	Source of Funding	Purposes	Size/Amount	Notes
FAO cont'd		- such portion of the cash surplus in the general fund as is required to bring the level of the SRA as indicated above; - sums received in payment of arrears of contributions in previous biennia; - in the event that the SRA replenished in accordance with the foregoing should not attain the required level, such other measures as may be approved by the Conference.	(c) Subject to prior review and approval by the Programme and Finance Committees, to finance unbudgeted extra costs of approved programmes due to unforeseen inflationary trends, to the extent that such costs cannot be met through budgetary savings without impairing the implementation of such programmes.		
IAEA	-	-	-	-	No reserve accounts. In exceptional cases, reserves are provided for safeguard equipment for which funds were foreseen in previous budgets; unforeseen expenditures.
ICAO	-	-	-	-	Part VI: Contingencies is provided to meet contingent or external cost increases arising from inflation and unfavourable exchange rate variations.
ILO	-	-	-	-	Part II: Unforeseen Expenditure Major Programme 797 Unforeseen Expenditure is provided (in the amount of $US 975,000 for the 1988-89 period) to finance expenses which may arise: (a) when, as a result of Governing Body decisions taken after the adoption of the budget, or for any other reason, an approved budget credit is no longer sufficient for the purpose envisaged; or (b) when the Governing Body approves an item of work or an activity for which no provision has been made in the budget. (In accordance with Art. 15 of the Financial Regulations, no part of the resources provided under this item may be used for any other purpose, without the specific prior authorization of the Governing Body.) Moreover, Part IV: Effects of Exchange Rate Adjustments, Major Programme 797: Effects of Exchange Rate Adjustments was established so that supplementary provision could be allowed for additional dollar costs which resulted when exchange rates between the Swiss Fr. and dollar, during a biennium, varied adversely in relation to the exchange rate used to value the programme and budget (the budget rate of exchange). During the implementation of the approved programme of activities, this Part was used to record any gains or losses that resulted on the recording of expenditure if actual exchange rates varied in relation to the budget rate of exchange. Nevertheless, under the proposed new system of SFr assessments combined with forward purchasing of the biennium's dollar requirements (see Table 15), gains and losses that result when actual exchange rates vary in relation to the budget rate of exchange will not be recorded under this Part.

/...

Org.	Title	Source of Funding	Purposes	Size/Amount	Notes
ILO cont'd					In exceptional circumstances, and subject to prior authorization of the Governing Body, the WCF covers the provision of advances to meet contingencies and emergencies. (See Table 6)
IMO	Exchange Reserve Fund	-	-	-	Although the Exchange Reserve Fund was established in 1977 to cover exchange losses and gains in the amount of $US 2 million, on 1 January 1980, the Fund was merged into the WCF because of its new budget currency (pounds sterling) in the combined amount of £1,250,000.
ITU	Reserve Account	Made up of: (a) Budgetary credits cancelled at the end of each financial year; (b) the differences between the amount of interest paid to the ITU and that paid by the ITU to the Swiss Government; (c) any credits remaining after settlement of the individual accounts in the Fund for the retirement of staff members of the Union; (d) any transfers of part of the assets of the Publications Capital Account; (e) credits entered in the ordinary budget of the Union for adjustments. (P.Con. Art. 28)	To provide working capital: - to meet essential expenditures; and - to maintain sufficient cash reserves to avoid resorting to loans. (Nairobi Convention Art. 79) However, by special decisions, arrangements may be made for withdrawals from the Account: - either to balance the ordinary budget or to place a limit on this Account; and - to reduce the amount of the contributory share of Members.	The amount is fixed annually by the Administrative Council on the basis of expected requirements.	cf. ITU has no WCF (see Table 6).
UNESCO	-	-	-	-	At present UNESCO does not operate reserve accounts for meeting unbudgeted expenditure, contingencies or emergencies. Such accounts may be established by the DG and should be reported to the Executive Board. However, Part VII: Anticipated Cost Increases (formally entitled Appropriation Reserve) is provided to cover specifically estimated increases in costs due to inflation. Moreover, Part VIII: Currency Adjustment is provided to reflect exchange losses and gains in the course of the financial period.
UNIDO	-	-	-	-	No reserve accounts or funds. However, they may be established by the DG and reported to the Board when the necessity arises. The purposes and limit of such reserve account are then clearly defined.

Org.	Title	Source of Funding	Purposes	Size/Amount	Notes
UPU	Reserve Fund	Made up of: (a) budgetary credits cancelled at the end of each financial year; (b) surplus of interest paid to the Union over the interest paid by the Union to the Swiss Govt; (c) profit realized each year on supply of postal identity cards, etc; and (d) credits included in the Union budget to adjust the Fund. (F.Re. Art. 22)	To cover shortfalls in Union financing. Withdrawals are provided for from the Fund in advance; - either to balance the budget or to limit the level of this Fund; and - to reduce the amount of member countries' contributions. (F.Re. Art. 23)	-	cf. UPU does not have WCF (see Table 6).
WMO	-	-	-	-	No reserve accounts or funds. However, the DG may establish reserve accounts and report to the Executive Board.
WIPO	-	-	-	-	No reserve accounts or funds. Each Union may have a reserve fund which consists of the accumulated surpluses and deficits of previous accounting periods.
WHO	-	-	-	-	No reserve accounts or funds at present. However, the DG may establish such a reserve to meet specific liabilities resulting from expenditures of a recurring nature which cannot be budgeted. The type and terms of reference of each of the reserve accounts or funds thus established are determined by the Executive Council and approved.

.../

TABLE 8 - SURPLUS

OCAG Glossary definition: Budgetary Surplus is "Excess of approved budget appropriations over total expenditures incurred during a financial period."
Cash Surplus is "The excess of cash receipts over cash disbursements for a given period."

Org.	Cash surplus realized from budgetary surplus: Is the corresponding cash surplus redistributed to Member States? How?	Cash surplus realized from budgetary surplus: Conditions for and methods of redistribution: * (a) (b) (c) (d) (e) (f) (N/A = Not applicable or not indicated in the Financial Regulations)	Cash surplus generated from other elements than budgetary surplus	Notes
UN	Yes. The remaining balance of any appropriations retained will be surrendered to Member States. (F.Rs. 4.3 and 4.4) When making annual assessments of contributions on Member States adjustments will be made to the assessments in respect of balance of appropriations surrendered under F.Rs. 4.3 and 4.4. (F.Rs. 5.2(d))	(a) Yes (b) 12 months following the end of the financial period. (c) N/A (d) N/A (e) N/A (f) In accordance with the scale of assessments.	All other income, except (a) to (d) mentioned in Table 9, is credited to the General Fund as miscellaneous income, which will be taken into account when making adjustments to the assessments. (F.Rs. 5.2(d))	In view of a significant unliquidated balance of obligations and financial emergency of the UN during the biennia 1980-81, 1982-83, 1984-85 and 1986-87, the General Assembly suspended the relevant regulations (4.3, 4.4 and 5.2(d)) of the UN Financial Regulations concerning the surrender of the balances of biennial appropriations.
FAO	Yes. Any cash surplus at the close of any financial period in the General Fund is allocated among Member Nations.	(a) Yes (b) 12 months from the last day of the financial period. (c) Yes (d) In accordance with the amount and timing of the payment of contributions. (e) As (d) (f) In accordance with the Scale of Contributions applicable to that period.	The same principle is applied to liquidate, in whole or in part, (a) any advance due to the WCF; (b) contributions for the calendar year following the year in which the audit is completed. In resolution 18/87 the Conference decided that, notwithstanding the provisions of Financial Regulation 6.1(b), (i) the interest income element of any cash surplus will be allocated on a weighted basis, in accordance with the amount and timing of payment of their contributions during the financial period; (ii) all other elements of any cash surplus, other than interest income, will continue to be allocated among all Member Nations based on the Scale of Contributions applicable to that period; (iii) all other elements of any cash surplus other than interest income, will be released to Member Nations which have not paid in full their assessed contributions for the period, only after receipt by the Organization of payment in full of the amounts due for that period.	With a view to ensuring that sufficient funds are available to implement in full the current approved Programme of Work and Budget, the Conference delegated to the Council the authority to decide, in the event of a significant delay in the receipt of contributions, and notwithstanding F.Rs. 6.1(b), that cash surpluses which may arise in the present and future biennia be withheld in full or in part (18/87).

* (a) After liquidation or cancelling outstanding obligations of the budgetary period.
(b) Withholding period (in which the appropriations remain available).
(c) Completion of audit.

(a) According to the amount of payment of contributions.
(c) According to the timing of payment.
(e) According to the scale of assessment.

Org.	Cash surplus realized from budgetary surplus: In the corresponding cash surplus redistributed to Member States? How?	Cash surplus realized from budgetary surplus: Conditions for and methods of redistribution: (a) (b) (c) (d) (e) (f) (N/A = Not applicable or not indicated in the Financial Regulations)	Cash surplus generated from other elements than budgetary surplus	Notes
IAEA	Yes. The remaining balance of any appropriations retained are kept in the Administrative Fund as provisional surplus. After settlement of conditions mentioned in column 2, the cash surplus is allocated among Member States. (F.Re. 5.03, 5.04, 7.01 and 7.02)	(a) Yes (b) 12 months or 24 months (if appropriations are required for obligations under research contracts) following the end of the financial year. (c) Yes (d) To those Member States whose contributions for that period (i.e. to which the surplus relates) have been paid in full. (e) N/A (f) In accordance with the scale of contributions for the period to which the surplus relates.	Cash surplus is allocated among Member States, after retained in the Administrative Fund as a provisional surplus. (See columns 2 and 3)	-
ICAO	Generally yes. Should the income of the Organization exceed the obligations for a given financial year, including unliquidated obligations, the resulting surplus will be credited to the surplus account. To the extent that a surplus becomes a realized cash surplus, it may be held in reserve and carried over to the following year. Any balance of realized cash surplus in reserve at the end of the year prior to the year in which the Assembly is held will be disposed of in a manner to be decided by the Assembly. (F.Re. 6.2(a)) Generally, the realized cash surplus is redistributed to Contracting States in the form of credits to assessments due.	(a) Yes (b) 12 months following the end of the financial year to which they relate. (c) N/A (d) Yes (e) Yes (f) In accordance with the scale of assessment in force for the financial year in question.	(See columns 2 and 3.)	However, if this procedure results in a deficit at the end of the year prior to the year in which the Assembly is held, such deficit may be assessed on Contracting States by the Assembly. (F.Re. 6.2(b))
ILO	Yes. If the difference between budgetary income and expenditure in any complete financial period constitutes a credit balance the corresponding cash surplus will be used to reduce the contributions of eligible Members. (F. Re. Art. 18)	(a) Yes (b) N/A (c) N/A (d) Members which paid their ordinary contributions in the financial period in which the cash surplus accrued will have their share of the cash surplus deducted from their contributions assessed for the second year of the succeeding financial period. Other Members will not be credited with their share until they have ...	All income other than contributions payable by governments, such as income from the sale of publications and other miscellaneous sources and interest, is classified as miscellaneous income and will be paid into the part of the WCF which stands credit of the Organization. With regard to the sale of publications, the DG may pay up to 75% of its income into a Publications Revolving Fund.	- ILO continued ...

Org.	Cash surplus realized from budgetary surplus: Is the corresponding cash surplus redistributed to Member States? How?	Cash surplus realized from budgetary surplus: Conditions for and methods of redistribution: * (a) (b) (c) (d) (e) (f) (N/A = Not applicable or not indicated in the Financial Regulations)	Cash surplus generated from other elements than budgetary surplus	Notes
ITU (cont'd)		paid the contributions due from them for the financial period in which the cash surplus accrued. When they have done so their share of such cash surplus will be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment. (e) Yes (f) In accordance with the scale of assessments.		
IMO	Yes. Such portion of appropriations as may be required to meet the outstanding legal obligations as at the last day of the calendar year will remain available for 12 months, at the end of which period any balances will be credited to miscellaneous income of the current calendar year. Any obligations remaining a valid claim at that time will be charged against the appropriations of the current calendar year. (F.Re. Art. 10)	(a) Yes (b) 12 months (c) X (d) N/A (e) Yes (f) In preparation to the assessments other than basic assessments contributed for that year.	Any cash surplus in the General Fund at the close of any calendar year will be allocated among Members in proportion to the assessments other than basic assessments contributed for that year, and at 1 January following the year in which the audit of the relevant accounts is completed, will be released and applied to liquidate, in whole or in part, (i) any advance due to the WCF; (ii) any arrears of contributions; (iii) contributions for the calendar year following the year in which the audit is completed. (F.Re. 6.1[b])	-
IMF	only indirectly. When, for special reasons, it has proved impossible to pay certain expenses before the close of the financial year, appropriation will remain available for 12 months following the end of the financial year to which they relate. The corresponding credits will be transferred to the "Account for credits granted for previous years" and the expenditures when subsequently incurred will be charged to this account. On expiry of the period mentioned above, credits brought forward but not used will be paid into the Reserve Account. (F.Re. 14). By special decision, the Administrative Council may arrange for withdrawals from the Reserve Acct, inter alia to reduce the amount of contributory shares of Members. (F. . 4d)	(a) Yes (b) 12 months following the end of the financial year to which they relate for the purpose of discharing obligations in respect of goods supplied and services rendered in the financial year and liquidating any other outstanding legal obligations of the year. (c) Yes (d) N/A (e) N/A (f) N/A	All other income (see Table 9) as credited to the Reserve Account, which may be used either to balance the ordinary budget or to place a limit on the Reserve Account and to reduce the amount of the contributory shares of Members. (F.Re. Art.24)	-

Org.	Cash surplus realised from budgetary surplus: Is the corresponding cash surplus redistributed to Member States? How?	Conditions for and methods of redistribution: (a) (b) (c) (d) (e) (f) (N/A = Not applicable or not indicated in the Financial Regulations)	Cash surplus generated from other elements than budgetary surplus	Notes
[illegible]	Yes. The remaining unspent balance of appropriations retained after deducting therefrom any contributions from Member States relating to the financial period of the appropriations which remain unpaid will be apportioned among Member States. (F.Re. 4.3 and 4.4)	(a) Yes (b) 12 months following the end of the financial period to which they relate (c) Not required (d) Payment shall be made in full without any arrears (e) Yes (f) Yes	All other income (see Table 9) is credited to the General Fund as miscellaneous income, which will be taken into account when making adjustments to the assessments. (F.Re. 5.2)	-
UNIDO	Yes. The remaining balance of the appropriation will be surrendered to the Members. (F.Re. 4.2)	(a) Yes (b) 12 months (c) N/A (d) N/A (e) N/A (f) In proportion to their assessed contributions.	All other income (see Table 9) is credited to the regular budget as miscellaneous income, which will be taken into account when making adjustments to the annual assessments. (F.Re. 5.3)	-
UPU	Only indirectly. When, for special reasons, it has proved impossible before the close of a financial year to pay some of the expenses duly authorized in the budget and in respect of which commitments have been made, credits corresponding to the sums unpaid will be transferred to the "Account for credits granted for previous year" and the expenditure when subsequently incurred will be charged to this account. On expiry of the period mentioned above, credits brought forward but not used will be cancelled and an equivalent payment shall be made into the Reserve Fund. (F.Re. Art. 17) The Executive Council may provide for withdrawals from the Reserve Fund in advance inter alia to reduce the amount of member countries' contributions.	(a) Yes (b) 12 months from the close of the corresponding financial year. (c) N/A (d) N/A (e) N/A (f) N/A	All other income (see Table 9) is credited to the Reserve Fund, which may be used either to balance the budget, or to limit the level of this Fund and reduce the amount of member countries' contributions. (F.Re. Art. 22)	-

Org.	Cash surplus realized from budgetary surplus: Is the corresponding cash surplus redistributed to Member States? How?	Cash surplus realized from budgetary surplus: Conditions for and methods of redistribution: * (a) (b) (c) (d) (e) (f) (N/A = Not applicable or not indicated in the financial Regulations)	Cash surplus generated from other elements than budgetary surplus	Notes
WHO	Yes. The cash balance of the appropriations retained will be surrendered. (F.Re. 4.3 and 4.4)	(a) Yes (b) 12 months (c) N/A (d) N/A (e) N/A (f) N/A	All other income (see Table 9) is credited to the General Fund as miscellaneous income, which will be taken into account when making adjustments to the annual assessments. (F.Re. 5.2)	With regard to (e) of column 2, WHO is planning to include it.
WIPO	Yes, to a certain extent for the Madrid Union. (F.Re. 8.1) (See also columns 2 and 3)	(a) Yes (b) N/A (c) Yes (For certain countries) (d) N/A (e) N/A (f) In conformity with the relevant provisions of the agreements.	When surpluses of income concern the Paris, Berne and Nice Unions which are paid into reserve funds after the reimbursement to the Swiss Confederation for its advances, the Interunion Coordination Committee may make the suggestion that such payment should not be made if the amount of the reserve has become too large. In this case, the contributions of the member States of such Union will be diminished accordingly in the following years. With regard to the surplus of the Trademark Service (Madrid Agreement) and the Design Service (The Hague Agreement), such surplus after retention of the authorized amounts for reserve funds will be distributed among the Member States of that Agreement in conformity with the relevant provisions. Furthermore, if the Appellations Service (once it comes into existence) shows any surplus of income, it will be paid into the reserve fund of this Service. (F.Re. 8.1)	In the case of the deficits, the member States or relative organs should suggest measures to redress the situation. (F.Re. 8.2)
WMO	Yes. The remaining balance of any appropriations will be surrendered. (F.Re. 7.4)	(a) Yes (b) 12 months following the end of the biennium to which they relate. (c) N/A (d) Credits will be made to the Members as follows:- continued ...	Cash surplus on the General Fund will be surrendered. (See column 2) (F.Re. 9.1) Income from interest on funds other than the WCF which forms part of the cash surplus for any financial period will be disposed of in accordance with decisions of Congress, and in the manner determined by Congress, due consideration being given to the date of receipt of assessed contributions of Members of the Organisation.	- WMO continued ...

Org.	Cash surplus realized from budgetary surplus: Is the corresponding cash surplus redistributed to Member States? How?	Cash surplus realized from budgetary surplus: Conditions for and methods of redistribution: * (a) (b) (c) (d) (e) (f) (N/A = Not applicable or not indicated in the Financial Regulations)	Cash surplus generated from other elements than budgetary surplus	Notes
WMO cont'd		- for Members who have paid in full their previous contributions, by deduction from the next assessment; - for Members who have paid in full their contributions in respect of all previous financial periods, but who have not paid in full their contributions in respect of the period which relates to the surplus to be distributed, by reduction of their arrears, and therefore by deduction from the next assessment; - for Members who are in arrears for more than the financial period concerning the one which relates to the surplus to be distributed, their share of the surplus will be retained by WMO in a special account and will be paid when the provisions of Art. 7.6(a) or (b) are met. (e) Yes (f) On the basis of the scale of assessments.		

TABLE 9 - MISCELLANEOUS INCOME

CCAQ Glossary definition: Miscellaneous Income is "Income other than the value of assessed or voluntary contributions and such other income items as may be excluded from this category under the organization's Financial Regulations or policies."

Org.	Composition	Accounting arrangements
UN	All other income except (a) contributions to the programme budget; (b) direct refunds of expenditure made during the financial period; (c) advances or deposits to funds; (d) revenue derived from the Staff Assessment Plan. (F.Re. 7.1) Proceeds from rental of property or from the loan of staff members or other services rendered are credited as miscellaneous income. (F.Re. 107.1)	Credited to the General Fund. (F.Re. 7.1)
FAO	Contributions from Associate Members and all receipts other than (a) contributions from Member Nations to the budget; (b) direct refunds of expenditures made during the financial period; (c) advances by Member Nations or deposits to Trust and Special Funds and other receipts directly related to those funds; (d) proceeds of sales of publications and films; and (e) revenue from advertising in the FAO Magazine. (F.Re. 7.1) Monies accepted in respect of which no purpose is specified are treated as miscellaneous income. (F.Re. 7.5)	Credited to the General Fund. (Interest or other income derived from any Trust or Special Fund accepted by the Organization is credited to the fund to which it relates, unless otherwise provided for.) (F.Re. 7.1)
UNESCO	(a) Income from work for others (e.g. data processing, printing, library and medical services which the Agency provides to other organizations); (b) income related to programme activities (sales of publications, INIS, laboratory services, etc.); and (c) interest income derived from investment, gain on exchange of currencies, etc.	Credited to the Administrative Fund.
WHO	With respect to the Regular Budget, all revenue or income is classified and recorded in the accounts as miscellaneous income, except for the contributions of Member States and the refund of expenditures received during the same financial year.	Credited to the General Fund as miscellaneous income. (F.Re. 7.5)
ILO	(a) Receipts from interest which are not required to be credited to the fund from which they derive; (b) receipts from the sale of publications, including related royalties and fees; (c) the difference between gain and loss on exchange; (d) amounts recovered in respect of payments effected by the Organization if received after the end of the financial period in which the related payment was made; (e) cheques remaining uncashed for a period of 12 months after the date drawn where cancellation takes place in a different financial period; (f) other miscellaneous cash receipts. (F.Re. 30)	Paid into the WCF. (F.Re. 3.31 and 3.32)
IMO	All income other than (a) contributions to the budget; (b) refunds of direct expenditures made during the financial year; and (c) advances or deposits to funds. (F.Re. 7.1) This includes: interests on investments; savings on prior years' obligations; reimbursement and assessments on new Member States; income from sub-letting of HQ accommodations. Monies accepted in respect of which no purpose is specified are treated as miscellaneous income. (F.Re. 7.4)	Credited to the General Fund. Monies received under F.Re. 7.4 are reported as "gifts" in the accounts.
ITU	The income from "C. Miscellaneous" consists of: Withdrawal from the CCITT Reserve Fund for equipping the CCITT Laboratory; withdrawal from the Renewal Fund for the maintenance and renewal of simultaneous interpretation equipment; withdrawal from the ITU Reserve Account to write off bad debts. However, apart from contributions, there are other incomes such as: subvention from Supplementary Publications Budget; payment/withdrawal from the ITU Reserve Account Section 19; withdrawal from the ITU Reserve Account to absorb the Technical Co-operation deficit. (This latter may correspond to the miscellaneous income of other organizations of the system.)	"C. Miscellaneous" is accounted separately from the Ordinary budget of the Union. An Interest Account is kept showing: (a) as income: (i) interest debited to the Supplementary Publication Account for advances; (ii) interest charged to the accounts of the regional administrative conferences; ITU continued ...

Org.	Composition	Accounting arrangements
ITU cont'd		(iii) interest from liquid assets invested by the Union; (b) as expenditure, the interest paid by the Union to the Government of the Swiss Confederation for advances made by that Government. This account is closed at the end of the year and any credit balance is paid into the Reserve Account.(F.Re. Art. 43) (see also Table 7)
UNESCO	All other income except: (a) contributions to the budget; (b) direct refunds of expenditures made during the financial period; (c) advances or deposits to funds. (F. Re. 7.1); (d) interest on investments, except that on investments of the WCF. (F.Re. 6.5). Monies accepted in respect of which no purpose is specified are treated as miscellaneous income. (F.Re. 7.4)	Credited to the General Fund.(F.Re. 7.1) Monies received under F.Re. 7.4 is reported as "gifts" in the accounts.
UNIDO	Miscellaneous income includes: income from investment of the WCF and the General Fund: proceeds from the provision or rental of goods or services; or adjustments arising subsequent to the closing of an operational budget account such as a trust fund, special account, project, etc. (F.Re. 10.1(iv)	Credited to the General Fund.(F.Re. 10.1). Monies received under F.Re. 6.5 is reported as "gifts" in the accounts. (F.Re. 6.5)
UPU	Besides the contributions of Member Countries, the receipts of the Union are: Chapter 21 Administrative receipts,(i.e. reimbursement of costs; proceeds from sales of publications; letting of premises; sundry receipts); and Chapter 22 Withdrawal from Reserve Fund.	Accounts are kept separately. An interest account is kept showing: (a) as income: (i) the statutory interest debited to Union members, calculated on the basis of the provisions of article 20; (ii) interest produced by investment of the Union's liquid assets; (b) as expenditure, the interest paid by the Union to the Government of the Swiss Confederation for advances made by the latter. This account is closed at the end of the year and the credit balance is paid into the Reserve Fund. (F.Re. Art. 20)
WHO	All other income, except (a) contributions to the budget; (b) direct refunds of expenditures made during the financial period; (c) advances or deposits to funds. (F.Re. 7.1)	Miscellaneous income is credited to the General Fund under the Casual Income Account. Income derived from investments of the WCF is credited as miscellaneous income. Profits and losses on exchange are credited or debited to the Miscellaneous Income Account. (F. Re. 7.1)
WIPO	Includes publications income, rental of WIPO premises and "other income".	(No indication in the F.Re.)
WMO	All other income, except (a) contributions to the budget; (b) direct funds of expenditure made during the biennium; (c) advances or deposits to funds and accounts. (F.Re. 10.1) Monies accepted in respect of which no purpose is specified are treated as miscellaneous income. (F.Re. 10.4)	Credited to the General Fund. (F.Re. 10.1) Monies received under F.Re. 10.4 are reported as "gifts" in the annual accounts.

/...

TABLE 10 - EXTERNAL BORROWING FACILITIES

Org.	Is it authorized?	If authorized: under whose authority and by what means?	Has the authorization been utilized in the past? When? Which way?	Remarks
UN	Yes	- Should the provision of the WCF prove inadequate to meet the purposes normally related to the WCF, the SG is authorized to utilize inter alia the proceeds of loans authorized by the Assembly. This was initially authorized in 1958 (res.1341(XIII)), and has been extended from one financial period to another. In addition, the Assembly authorized (res. 1468(XIV)) the coverage of short-term loans from governments. The most recent resolution related to this authorization is 42/228. - The SG was also authorized by the Assembly in 1961 (res.1739(XVI) to issue United Nations bonds ($US200 million) with terms and conditions set forth therein.	- Yes. Many times since the authorization was given. - Yes. The bonds were sold in 1965.	Of the $US200 million authorized, actual sales amounted to $US169.9 million. (Interest rate 2% per annum.)
FAO	Yes	The DG is authorized by the Council "to negotiate and contract loans with such external lenders as he may select, having due regard, in setting the terms thereof, to the necessity of keeping interest costs to a minimum", after recourse as appropriate and if feasible to the WCF and the Special Reserve Account (Res. 2/80). Such borrowing should be made from internal sources to the greatest extent possible and the Finance Committee should be kept informed of any prospective use of the authority, case by case.	Although the authorization was granted in 1964, 1979 and 1981, it was not used.	Any interest payable on such loans should be charged to Miscellaneous Income.
IAEA	Yes	The Agency's borrowing powers are exercised by the Board of Governors in accordance with rules and limitations approved by the General Conference, provided that the exercise of such authority shall impose no individual or joint liability upon Member States.	No	-
ICAO	Yes	To finance regular and supplementary appropriations which cannot be financed from the General Fund and the WCF, the SG is authorized, with prior approval of the Finance Committee of the Council, to borrow amounts needed to meet immediate obligations of the Organization, and that the outstanding total indebtedness of the Organization at no time is to exceed $US 2,000,000 during the triennium.	No	-
ILO	Yes	If the WCF as a whole is temporarily inadequate to finance budgetary expenditure pending receipt of contributions and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body, the DG may contract loans or advances for such sums as may be necessary pending the receipt of contributions. Such borrowings must be reported to the Governing Body.	Yes. For very short periods, in 1978, 1979 and 1980 when ILO had financial difficulties caused by the withdrawal from the Organization of the largest contributor and a decline in the value of the $US. Short-term loan contracts with commercial banks.	-
IMO	No	N/A	N/A	-
ITU	Yes	In accordance with the arrangement made between the Union and the Swiss Federal Government, the latter places at the disposal of the Union, if necessary, funds to meet the overall cash requirements of the Union under stipulated conditions.	Yes. Four years since 1980.	-

.../...

Org.	Is it authorized?	If authorized: under whose authority and by what means?	Has the authorization been utilized in the past? When? Which way?	Remarks
UNESCO	Yes	In 1973 the Special Session of the General Conference authorized the DG, when necessary, to negotiate and contract short-term loans with lenders of his choice to help the Organization meet its financial commitments. Since 1973, this resolution has been repeated in a similar manner, should the treasury situation of the Organization so require, and in that case reporting should be made to the Executive Board.	Short-term loans from banks have been contracted on a few occasions between 1973 and 1977.	-
UNIDO	No	N/A	N/A	-
UPU	Yes	Following art. 124, para. 10, of the General Rules of UPU, the Swiss Federal Government may, on a short-term basis, cover lack of funds in the Treasury.	No	-
WHO	No	N/A	N/A	-
WIPO	Yes	Article 10 of WIPO's Headquarters Agreement with Switzerland provides that that country shall grant advances if the working capital fund of the Organization - conditions to be agreed upon case by case.	No	-
WMO	Yes	Authorized by the Congress to borrow internally from the Voluntary Fund and the Publications Fund. Also authorized to borrow externally from governments, banks, on a short-term basis, until receipt of contributions. (Res. 45(g-VIII))	No	-

.../...

TABLE 11 - STAFF COSTS

"Staff costs" may comprise two of the objects of expenditure of the ACC classification (CCAQ Handbook, Annex VII) as follows:

Category code	Category and objects
000	Salaries (net) - Salaries - established posts - Post adjustment - Temporary assistance - Consultants - Overtime and night service differential

Category code	Category and objects
100	Common staff costs - Staff allowances - Social security, including insurance - Education grant and travel - Home leave travel - Appointment, transfer and separation - Reimbursement of national income tax - Special claims and ex gratia payments - Other

CCAQ Glossary definition:

Standard costs are "Amounts used for budgeting and budgetary control purposes, representing either target or estimated average unit costs."

Org.	Are standard costs used? If yes, how?	Unit of work measurement	Adjustment for staff turnover and delays (lapse factor)
UN	Yes. Monthly data is collected with a view to preparing annual standard salary cost versions to be used in recosting the budget as a basis for action by the GA. The standards are prepared for some 20 duty stations and contain standards for average salaries and common staff costs for staff by grade in the professional or above category and by level in the General Service/Manual Worker category.	By posts.	For 1986-87, 5% of staff costs for existing posts in the P and higher grades was provided to deal with staff turnover. On the recommendation of ACABQ, different turnover factors may be used in selected sections to take account of experience. In the case of GS category, it was 0 per cent for 1988-89. These percentages have been replaced by 12.5% and 7.5% respectively.
FAO	Yes. Standard costs are applicable to all staff in P category but to GS staff stationed at HQ only. Standard costs are calculated based on actual costs in the prior biennium adjusted for expected cost increase.	Work/years.	The lapse factor used throughout the budget for all existing positions is 5.5%. The same lapse factor is also applied to all new positions.
IAEA	No. Actual estimated costs are used based on incumbent of posts plus vacancies.	Man/days or man/years.	Deductions are made in respect of salaries for vacant posts. New posts are in general lapsed for 3 months or more. Approximately 3% of staff cost for turnover.
ICAO	Yes. Standard costs are calculated on the basis of the actual establishment of the posts. For P staff, standards are thus calculated for each grade. For GS staff, there are three averages for G4, G6 and G8.	Man/years.	A percentage deduction is made from the total appropriation for P and GS category costs.
ILO	Yes. Five costs are calculated: GS, P1 to D1, D2, ADG and above, as well as regular budget field experts.	Work/years.	Arbitrary adjustment for staff turnover is taken as a deduction from total estimates for the staff costs.
IMO	No. Effective costs on the basis of existing staff adjustments for expected costs changes.	Work requirements are determined by posts for Regular Staff.	An amount of money is fixed by the Board during consideration of the budget proposals; it is a portion of the global salary appropriations.
ITU	No. Effective costs on the basis of existing staff adjustments for expected costs changes.	Work requirements are determined by posts and not in terms of manpower.	No staff turnover. No extra staff. Economy is made by lapse factor.

.../...

Org.	Are standard costs used? If yes, how?	Unit of work measurement	Adjustment for staff turnover and delays (lapse factor)
UNESCO	Yes. Standard costs based on actual costs adjusted for expected variations are determined for each P and GS grade at HQ and in the field.	The technique of analytical estimation of the workload is used usually for new posts, and in terms of work/years.	A lapse factor of 5% was approved by the General Conference for 1988-89 although the DG had proposed a rate of 3% on the basis of 1986-87 experience. Any additional costs due to a lower rate of staff turnover than 5% should be absorbed within limits of the overall budget.
UNIDO	Yes. Standard costs are based on actual costs in prior years with adjustments for expected costs of living and other charges.	By posts.	Provision made for a 5% turnover for all existing posts in the P and higher categories. All new posts are subject to higher turnovers: 50% for P and higher categories, 35% for GS and other categories.
UPU	No. Effective costs.	By posts	No turnover. Lapse factor is very short, 2-3 months (negligible).
WHO	Yes. At HQ there are two standard averages for professional staff (P1-P3 and P4-D2) and three averages for GS staff (G1-G4, G5-G6 and G7). They are calculated for each element of expenditure. At field offices, the averages used differ according to location. The sum-up constitutes the standard base salary. Post adjustments are calculated by location to take the various cost-of-living situations into account.	Man/years.	No lapse factor as such. An analysis of vacant posts is made and a lapse factor incorporated with the budget averages.
WIPO	Yes. On the basis of actual staff expenses.	Man/years.	No lapse factor because of very low turnover. Vacancies, particularly at GS level, are covered by short-term staff.
WMO	Yes. One standard figure is adopted for each group of grades in the P and GS categories at average step of each grade.	Man/months	Average of vacancies is very low. No lapse factor is used. No new posts established in the last 12 years.

TABLE 12 - NON-STAFF COSTS

Costs other than staff costs may comprise the following objects of expenditure of the ACC classification (CCAQ Handbook, Annex VII) :

Category code	Category and objects
200	Travel on official business - Representatives and committee members, participants in meetings - Staff travel - meetings - Staff travel - other - Consultants
300	Contractual services - Research contracts - Authorship contracts - External translation contracts - External printing and binding - Project sub-contracts (excluding inter-agency agreements) - Public information contracts - External data-processing contracts - Other specialized services
400	General operating expenses - Rental and maintenance of premises, including maintenance supplies - Utilities - Rental and maintenance of furniture, equipment and vehicles, including maintenance supplies - Communications - Hospitality - Miscellaneous
500	Supplies and materials - Stationery and office supplies - Internal reproduction supplies - Library books and supplies - Public information supplies - All supplies for field projects - Other supplies
600	Acquisition of furniture and equipment - Office furniture and equipment - Data-processing equipment - Printing, reproduction and distribution equipment - Vehicles - Communications equipment - Public information equipment - All equipment for field projects - Other equipment
700	Acquisition and improvement of premises - New premises (including additions) - Improvements to premises
800	Fellowships, grants and contributions - Individual fellowships - Participants in seminars and other group training activities - Grants and contributions towards programme-related activities
900	Other expenditure - Project charges for overhead costs (UNDP) - Project charges for overhead costs (other) - Contributions to joint activities within the United Nations family

Org.	Distribution of costs to programmes
ITU	Common services costs are not distributed to substantive programmes. However, there is an overall analysis both on direct costs and apportioned costs, i.e. apportionment to the programme of administration, management, general services, conference and library services costs.
FAO	FAO does not use the concept of "apportioned costs". Costs are budgeted for under the different programme units to the extent that they can be directly attributed to programmes and controlled by the programme manager. All other costs are pooled in cost locations which are included in the Programme of Work and Budget without further distribution.
IAEA	Administrative costs are not allocated to the Agency's substantive programmes. (They consist mainly of staff costs.) Shared support services are allocated.
ICAO	Not applicable

.../

Org.	Distribution of costs to programmes
ILO	Administrative costs are not distributed to its programmes.
IMO	Not applicable
ITU	Not applicable
UNESCO	In order to show the total costs of each programme, UNESCO applies the technique of apportionment of administrative and common services costs to the various parts of the programme. Accordingly, a budget summary is provided in the budget document showing for each major programme not only the direct costs involved for the execution of that programme, but also the apportionment of administrative and common services costs relating thereto.
UNIDO	Administrative costs are distributed to programmes. However, the apportionment of different objects of these costs are given in an annex table in the budget.
UPU	Not applicable
WMO	WMO does not use the distributed (apportioned) cost concept. Costs which by their nature cannot be attributed to a particular programme or activity are pooled in various cost centres.
WIPO	Administrative and common services costs are apportioned among the Program and Registration Unions and cover the costs of staff and support activities.
WHO	WHO uses selectively the concept of distributed costs.

.../

TABLE 15 - ADMINISTRATIVE AND SUPPORT COSTS

Org.	Presentation of administrative and common services costs and support costs
UN	Administrative costs Section 28: Administration and Management (i.e. central administration for the UN, management related activities financed jointly with other sister organizations and with administrative units in offices away from New York which provide mainly general services to several UN units financed from different sections of the budget, such as in Geneva, Nairobi and Vienna). (However, budgetary provisions for departmental administration are also included in other sections.) Common services costs These costs generally encompass expenditure for general services (such as utilities, maintenance of premises, etc.) shown in section 28 and conference services which are shown in section 29. As with administrative services, provisions for these costs are also included in other sections of the budget where the head of an organizational unit is also the head of a UN office. Programme support costs These costs are partly financed by extrabudgetary funds. Those covered by the regular budget are included in the sections concerned.
FAO	Administrative costs Major Programme 5.2. Administration 5.2.1. Administrative Services 5.2.3. Computer Services 5.2.2. Financial Services 5.2.4. Personnel Services Common services costs Chapter 6 covers the costs of common services (excluding related staff costs, which are budgeted under Programme 5.2.1. Administrative Services) 6.1. Premises 6.4. Furniture, Equipment and Vehicles 6.2. Cleaning, Utilities 6.5. Freight, Storage and Insurance 6.3. Communications 6.6. Regional Offices Chapter 5: Support Services 5.1. Information and Documentation 5.7. (see above) NOTE: Support costs levied on extrabudgetary operational projects are accounted for separately from the regular programme.
IAEA	Administrative costs Section 1: Executive Management and Administration (offices of Director General and Deputy Director General, and Divisions in the Department of Administration, e.g. Budget and Finance, Legal, Personnel, External Relations, Public Information). Section 8: General Services (a Division in the Department of Administration dealing with general housekeeping, communications, records management, procurement, etc.) Common services costs These are allocated among users: within IAEA to all user programmes in the various Appropriation Sections, and to other organizations in the VIC in Appropriation Section 9, Shared Support Services - cost of work for others. IAEA is in charge of running a service for the organizations in VIC: Computer, Printshop, Library, Medical Services. In addition, Translation, Interpretation, Publishing, Conference Services are shared (allocated to users). They are allocated in accordance with a utilization plan (pages translated, page impressions printed, CPU hours, programming man-days, interpretation man-days, etc.) As these services consist mainly of fixed costs (manpower and equipment), the users are actually charged with the planned consumption (reservation fee), to avoid that failure of some clients to contribute would lead to rate increases for others. Support costs The support costs (e.g. from UNDP) are accounted for as miscellaneous income, i.e. part of the regular budget.
ICAO	Administrative and common services costs Part III: General Services 12. Hospitality 15. Printing 13. Communications 16. Travel 14. Rental and Maintenance 18. Miscellaneous Part IV: Equipment 19. Furniture and Equipment 20. Books and Periodicals Support costs Appendix B (i.e. excluded from the regular budget) Technical assistance - administrative and operational services costs.

.../

Org.	Presentation of administrative and common services costs and support costs
ILO	Services and support activities costs 140. Programming and Co-ordination of Technical Co-operation 160. Personnel 165. Personnel Information and Payroll System 170. Financial and Central Administrative Services 180. Editorial and Document Services 190. Legal Services 200. Programming and Management 210. Information Systems Support costs (overheads) These costs cover technical and administrative support of technical co-operation projects. Income from extrabudgetary sources for such costs is shown separately in budget tables and information annexes.
IMO	Administrative and common services costs Section III General Services Chapter 1. Hospitality Chapter 2. Office and Reproduction Supplies Chapter 3. Furniture, Equipment and Vehicles Chapter 4. Library Chapter 5. Communications Chapter 6. Headquarters Premises [including Headquaters Installation Fund] Chapter 7. Other Supplies and Services Section IV Publications and Public Information Chapter 1. Publications (including Printing Fund) Chapter 2. Public Information Support costs Part II Technical Co-operation Work Programme and Budget (separate from the Regular Work Programme and Budget)
ITU	Administrative and common services costs The appropriate share of these costs is included under each administrative structure (departments, etc.). Support costs Part II Technical Co-operation Special Accounts Budget (separate from the ordinary budget).
UNESCO	Administrative costs These costs are budgeted for separately under Part IV of the budget. They include the costs of the Office of the Assistant Director-General for General Administration, the Bureau of the Comptroller, the Bureau of Personnel, the Bureau of Data Processing and the Bureau of General Services. Common services costs These costs which are administered by the Bureau of General Services and shown under Part V of the budget cover the common services for the whole of the secretariat at the Paris Headquarters. They include maintenance of buildings, operation of technical installations, provisions for supplies and materials, purchase of furniture and equipment, communications and safety and security services. Support costs These are the costs estimated for rendering administrative and operational services for the execution of a given activity financed by the regular budget of the Organization or extrabudgetary resources (e.g. UNDP, UNFPA, funds-in-trust), for a particular period. These costs are of an overhead nature and as such they cannot normally be attributed to a particular activity. Funds from UNDP, agency support costs are credited to miscellaneous income and as such, help to finance the regular budget of the Organization. UNFPA and funds-in-trust overheads are kept in separate accounts.
UNIDO	Common services costs These are shared by the organizations located in Vienna (see under IAEA). Support costs These costs are integrated in the budget (for both regular and operational budget).

.../

Org.	Presentation of administrative and common services costs and support costs
UPU	Administrative costs Chapter 2. Other International Bureau Operating Costs (i.e. premises, office furniture and machinery, travelling expenses, office expenditure, production of documents and publications, "Union Postale", library, film library and public information material and sundries). Chapter 3. Expenditure Relating to Congress (i.e. travel of secretariat, interpretation, communication, transport costs, documents, sundries). Support costs Not integrated in the budget.
WHO	Administrative and common services costs Appropriation Section 5: Programme Support Programme 14. Health Information Support (i.e. publications, health literature and translation) Programme 15. Support Services 15.1. Personnel 15.2. General Administration and Services 15.3. Budget and Finance 15.4. Equipment and Supplies for Member States Programme support costs (overheads) These costs are applied to the extrabudgetary costs and not indicated in its programme budget, which includes only the summary of sources by extrabudgetary funds as information annex.
WIPO	Administrative and common services and support costs Part III of Annex A of programme and budget: Governing Bodies, Staff and Support Activities. A. Governing Bodies and Budget Committee. B. Staff items (i.e. staff costs for all sectors). C. Support Activities (i.e. data processing, miscellaneous printing, maintenance of buildings, equipment and supplies, communications and other general operating expenses, amortization of building loans)
WMO	Administrative costs Programme 6 Administration - staff - administrative publications - participation in the work of the co-ordinating bodies of the UN system - stationery and office supplies - office equipment and machines - communications and computer support Programme support costs Programme 5 Programme Support Services and Publications - Programme Support (i.e. languages, documentation and conferences) - Publications Programme 4 Technical Co-operation Programme - UNDP - Voluntary Co-operation Programme - trust funds - regular budget co-operation activities

TABLE 14 - BUDGET INCREASES (DECREASES)

UCAQ Glossary definition: Cost increases/decreases is "Any increase or decrease in the cost of a resource input in the budget period, arising from changes in costs, prices and exchange rates."

Programme increases/decreases is "Any change in resources resulting from an increase or decrease in the volume of activities carried out under a programme."

Org.	Techniques used (a) Zero-base budgeting 1/ Incremental budgeting 2/ (b) Constant cost level in respective currency 3/ (c) Full or semi-full budgeting	Method of establishing cost increases/ decreases estimates	Inflationary increases/decreases (a) Forecasting (b) Adjustments (c) Inflation reserve	Statutory increases (decreases)
UN	Budget base is the revised appropriation (or for income sections, the revised approved estimates). Incremental budgeting Budgets of two bienniа are compared in financial terms mainly through calculations of resource growth, which is the ratio as a per cent of net increases (or decreases) at base rates requested by the SG for recurrent activities to the revalued base. Amounts to compensate for inflation are added to the amounts proposed at base costs in order to set the total level of the budget using current $US. Constant dollar Full-budgeting	In the preparation of budget proposals the UN discounts non-recurrent items. The remaining balance is then revalued at average rate for the second year of the biennium. To this, resource growth is added as the case may be. The revaluation is a combination of adjustments for inflation in 1986-87 as well as for fluctuation in exchange rates. With the method of incremental budgeting, inflation in the ensuing biennium is distributed to each activity but no assumptions are made regarding possible fluctuation in exchange rates in the ensuing biennium until the GA is ready to vote the initial appropriation. Base year costs The revalued base for the new biennium is projected from the amount of the revised appropriation for the current biennium using "base year costs". The second year of the current biennium is the base year. The amounts appropriated for continuing annual requirements (i.e. increases for delayed growth of partial year appropriations) represent the base year costs. By definition, this excludes amounts appropriated on a one-time basis for non-recurrent activities. The full base year cost becomes the base amount for each of the years in the new biennium. For the time being, the only addition to the base amount is for inflation in the new biennium.	(a) Information is obtained from official statistics on inflation. (b) Adjustment is made annually for the performance report. Supplementary estimates if necessary. Provisions are allowed in the budget in percentage terms and revised on a rolling basis at each of the following stages: - initial appropriation; - revised appropriation; - final appropriation. (c) No specific reserve. (see Table 7)	Full as the recommendations of ICSC.
FAO	Zero-base budgeting Constant dollar Full budgeting	Inflation is not budgeted for on the basis of one simple overall assumption of an annual inflation rate in the host country or worldwide. Inflationary cost increases are constructed on the basis of known developments of prices and costs for the different budget inputs, as well as an assessment of factors and trends likely to affect future developments taking account of the special characteristics of each category.	(a) A wide variety of indices are used relating to the many cost items (e.g. official indices of cost of living, post adjustment and wage indices, price trends, etc.). (b) No adjustment to the budget level. However, in theory, the WCF could be used to meet some unbudgeted cost increases by providing "reimbursable loans in specific cases" (see Table 6).	Mandatory cost increases cover (a) either statutory or inflationary cost increases which occurred in the course of the preceding biennium, and for which budgetary provision is now required for the full duration of the next biennium and (b) cost increases known to occur in the next biennium. FAO continued ...

.../

Org.	Techniques used (a) Zero-base budgeting 1/ Incremental budgeting 2/ (b) Constant cost level in respective currency 3/ (c) Full or semi-full budgeting	Method of establishing cost increases/ decreases estimates	Inflationary increases (decreases) (a) Forecasting (b) Adjustments (c) Inflation reserve	Statutory increases (decreases)
FAO cont'd		Budget growth or programme increases; any change in resources resulting from increases in the volume of activities carried out under a programme. Recurrent costs are not identified as a special category in the budget presentation. Non-recurrent costs are also not categorised in the budget level. Assuming an overall reduction in the budget level, these non-recurrent costs will form part of the programme decrease, in so far as the resources have not been re-programmed for other activities. In the case of an overall net budget increase they remain part of the budget base to which they have been re-programmed for other activities. They can only be identified through an analysis of the resource allocation in the formulation process. Cost increases identified in the preparation of the budget are included in the budget proposals under the full budgetary concept to the extent that they cannot be offset by savings arising elsewhere as cost decreases. Under the categorization of the changes in budget levels, net cost increases include all cost increases identified in the preparation of the budget, minus the cost decreases identified in the same process.	(c) Special Reserve Account provides a small amount of protection (up to 5% of the budget) to be used with Council approval against adverse movements in both currency and inflation. If unbudgeted cost increases exceed 5% of the budget, the additional amount will have to be absorbed (see Table 7).	as a result of inflation or approved changes in statutory allowance. No provision is made for these increases.
IAEA	Budget base is the real costs incurred in the current financial period. Constant dollar Semi-full budgeting	Budget estimates are made annually, the new budget is adjusted to the most recent findings. Detailed analyses are made on travel fares, per diem, development in all countries, equipment and supplies cost. Weighted averages are calculated for future application. (Under the concept of semi-full budgeting, IAEA forecasts for those items of expenditure that follow an index or trend, such as salaries. For other items, actual cost increases are recovered in the next budget estimates.) (See also third column.)	(a) Forecasting is made only for salaries. For other costs, actual past experience is used. The local consumer price index is not appropriate; however, as an indication, other indices (industrial goods, etc.) are taken into account. (b) During the budget year, any inflation or other cost increases have to be absorbed. (c) No. (Since its budget is annual, increases exceeding the estimates must be absorbed.)	Follows the common system.

Org.	Techniques used (a) Zero-base budgeting 1/ Incremental budgeting 2/ (b) Constant cost level in respective currency 3/ (c) Full or semi-full budgeting	Method of establishing cost increases/ decreases estimates	Inflationary increases (decreases) (a) Forecasting (b) Adjustments (c) Inflation reserve	Statutory increases (decreases)
ICAO	Budget base is the appropriation of the current budget. Zero-base budgeting Constant dollar Full-budgeting	With regard to ICAO's most recent budgetary period, 1987-89, all appropriations are based upon costs in effect to the Organization as of 1 February 1986. ICAO does not budget for inflation per se because an attempt is made to forecast a three-year inflation rate. However, Part VI 'Contingencies' allowas a specific provision to be made for external cost increases, and increases in salary/post adjustment. These cost increases are of a diverse nature which include such items as inflation at Headquarters and at the Regional Office locations, unfavourable exchange rate variations and statutory increases in rent and electricity.	(a) Two main indices are used: (i) The Canadian Consumer Price Index (CPI), and (ii) the Gross National Product (GNP) Deflator of Canada. The CPI is used in considering cost-of-living adjustments while the GNP Deflator is examined when considering inflation as related to Canadian manufactured goods. Historical rates and future projections of these indices are provided by several major Canadian banks and consulting firms. Initially these projections are studied by the Finance Committee during the preparation phase of the budget. The projections are given a final review during the Assembly by the Budget Working Group. (b) Under financial regulations, the SG may request through the Council and the Finance Committee, authority to transfer money from one Part of the Budget to another if required. Often transfers are made from Part VI Contingencies to Part II The Secretariat, and Part III General Services. The SG makes such submissions annually to the Finance Committee which analyzes these requests and recommends transfers to Council. (c) No specific reserve.	Mandatory cost increases related mostly to annual within-grade salary increment.
ILO	Budget base is the approved budget for the current financial period. Zero-base budgeting Constant dollar Full budgeting	ILO follows the constant dollar principle by developing its budget proposals at the same cost level and budget exchange rate as used in the previous biennium, in order to clearly present programme increases and decreases in real terms for each programme and major programme. Cost increases and the effects of exchange rate fluctuations are explained in detail at the beginning of the budget document together with comparative summaries showing programme and cost increases by appropriation line. In programme and budget proposals for 1986-87 the budget recapitulations at the beginning of each major programme show the 1986-87 proposals at 1984-85 costs and exchange rates broken down by programme and sources of funds, and immediately below, the approved 1984-85 budget provision.	(a) ILO follows the projection and estimates agreed at the inter-agency meeting of Geneva-based organizations. If new data subsequently becomes available prior to the finalizing of the ILO programme and budget, it may depart from the inter-agency findings. For expenditures outside Geneva, it makes its own estimates based on previous experience and current trends. (b) No annual revision of budget for inflation. Subject to the prior approval of the Governing Body, the WCF may be used to cover inter alia inflation in excess of the level provided for in the budget (although it has not been used since 1981). (c) No specific reserve.	Mandatory cost increases as defined by ILO, are for the most part those determined by ICSC. There are also 'statutory cost increases' such as annual salary increments, which fall into this category.

Org.	Techniques used (a) Zero-base budgeting 1/ Incremental budgeting 2/ (b) Constant cost level in respective currency 3/ (c) Full or semi-full budgeting	Method of establishing cost increases/ decreases estimates	Inflationary increases (decreases) (a) Forecasting (b) Adjustments (c) Inflation reserve	Statutory increases (decreases)
IMO	Budget base is the approved budget of the current biennium. Incremental budgeting Constant cost level in £ sterling Full budgeting	For preparation of the 1988-89 budget, the following are taken into consideration: - the previous budget and inflation forecast of past year (1986) - the following Jan (1987) the next biennium is calculated with exact figures for previous year (1986) - forecast for 1987 budget is made on basis of inflation experience, etc.	(a) Inflation is budgeted for by including individual elements in the biennial budget proposals at the cost estimated as likely to prevail at times of actual expenditure. A number of indices are used to estimate inflation. London post adjustment and GS salary increases are, e.g., based on forecast changes in UK Retail Price Index (RPI). (b) Adjustment for inflation is made every year. (c) No specific reserve.	Mandatory cost increases as defined as increases caused by inflation for statutory reasons. Other budget growth is defined as volume changes in programme of meetings at headquarters, in staffing of the secretariat, e.g. come under this heading.
ITU	Budget base - Real costs incurred during the current budgeting period, which are within the ceilings set by the Nairobi Conference. Incremental budgeting Constant cost level in Sw Fr. Full budgeting	Adjustments to the limits on expenditure are calculated on following bases: - changes in conditions of service of staff are based on those applied by UN Office in Geneva - variations in exchange rate between the Swiss Franc and $US are also based on UN operational rate - purchasing power for non-staff expenditure is based on: Base: Swiss consumer price index for Sept.1982 when the limits were set by the Nairobi Conference. Development: (e.g. Draft budget for '88) Sept. 1982-Dec. 1986 on basis of Swiss consumer price index (effective rates). Jan. 1987-June/July 1988 on the basis of an assessment based on: - inter-agency estimates - forecasts by Statistical Dept. of Canton of Geneva if available when budgets are prepared. The above method automatically corrects inaccurate assessments for the following year.	(a) In the absence of a margin in the limit of operational expenses, in Additional Protocol I, it was not possible to allow in the ITU budgets for the projected inflation for non-staff costs linked to the price index. (b) Adjustments to budgeted staff expenditure are made as and when changes are put into force for staff of UNOG. (c) No specific reserve	Follows the common system.

Org.	Techniques used (a) Zero-base budgeting 1/ Incremental budgeting 2/ (b) Constant cost level in respective currency 3/ (c) Full or semi-full budgeting	Method of establishing cost increases/ decreases estimates	Inflationary increases (decreases) (a) Forecasting (b) Adjustments (c) Inflation reserve	Statutory increases (decreases)
UNESCO	Budget base is the approved budget for the current period. Zero-based budgeting Constant dollar Full budgeting	When preparing the budget estimates, the secretariat must separately calculate cost increases (decreases) due to inflation and currency fluctuation. Prior to 1986-87 UNESCO used the cost levels at the beginning of the current budget period for constructing the budget. However, on the basis of recommendations of the working group established by DG in July 1984 to review budgeting techniques and budget presentation of the Organization, the Executive Board decided that for preparation of 1986-87 budget, the base (1984-85) should be recosted by calculating effects of inflation on the approved 1984-85 budget up to end of biennium. For UNESCO this decision marked a significant departure from budgeting techniques since it modified the methodology for applying the principle of constant dollar by adding the notion of "actuality" to its calculations. In effect this decision required that the budget estimates for 1986-87 be calculated on the basis of most up-to-date and reasonably accurate cost estimates available, i.e. the estimated cost levels at end of current budget period, thus bringing the purchasing power reflected in constant dollar closer to expected cost levels during period of budget execution. Therefore, the decisions to be taken with respect to increases or decreases in the proposed budget of various programmes are made on the basis of estimated actual purchasing power value of dollar at the time. This method of recosting was also applied for 1988-89 budget.	(a) Estimates for inflation on a proposed budget are based on price increases that have been registered on individual objects of expenditure during the previous budget period. On the basis of this, UNESCO estimates anticipated inflation increases for all items of expenditure and then calculates the total amount of projected inflation. It also refers to the official inflation index of the host country to ensure that its calculations are reasonable. However, inflationary cost increases anticipated for the new biennium are not incorporated into the individual items of expenditure in the draft programme and budget but included in Part VII Anticipated Cost Increases of the budget for later distribution to appropriation lines after approval by the Executive Board. (b) No specific reserve	Following the UN Common System, the salaries of staff in the Professional category and above are subject to post adjustment, which varies according to the cost-of-living and related factors at duty station, including exchange rate between the $US and local currency. Similarly, the salaries of staff in the GS category at HQ and in the field are adjusted on the basis of the relevant cost-of-living indices, in accordance with the decisions of the General Conference and with UN practice, as appropriate. Other allowances and entitlements are modified in accordance with decisions of the General Conference. These increases are taken into account when recosting the budget as well as when establishing the provision under Part VII.
UNIDO	(The same as UN)	(The same as UN)	(a) Enquiries are made to various Austrian institutions. Estimates are made on each line of expenditure in order to apply individual calculations. (b) Adjustment is made on an annual basis. Supplementary estimates if necessary. (c) No specific reserve.	Follows the recommendations of ICSC.
UPU	Budget base is the current budget. Constant cost level in Sw. Fr. Full budgeting	A distinction is made between "real increases (decreases)" and "increases due to inflation".	(a) Inflation rate can be forecast; however, it is taken into consideration only if it takes place. (b) No specific reserve.	Follows the common system.

Org.	Techniques used (a) Zero-base budgeting 1/ Incremental budgeting 2/ (b) Constant cost level in respective currency 3/ (c) Full or semi-full budgeting	Method of establishing cost increases/ decreases estimates	Inflationary increases (decreases) (a) Forecasting (b) Adjustments (c) Inflation reserve	Statutory increases (decreases)
WHO	Budget base is the current budget Constant dollar Full budgeting	WHO distinguishes cost increases from real programme changes. It developed its 1988-89 budget at the cost levels and exchange rates of 1986-87 in order to determine real programme decrease at the overall budget level. These budget proposals were then re-costed using the 1988-89 cost assumptions and the difference was shown as cost increases. Throughout the budget document the chapter by chapter summaries show separately real programme increases and cost increases due to inflation and currency fluctuation.	(a) To the fullest extent possible, it avoids reliance on general forecasts of cost levels or consumer price indices, and makes specific estimates for each type of expenditure in its economic and geographical setting. (b) Unbudgeted cost increases should be absorbed. (c) No specific reserve.	In WHO's programme budget form of presentation, cost increases are sub-divided into those due to (a) statutory costs and inflation; and (b) rates of exchange. Statutory cost increases, which are not identified as a separate category of cost increases but are consolidated with inflationary cost increases, comprise with grade annual increments in the salaries of staff as well as cost increases resulting from the reclassification of posts and promotion of staff.
WIPO	Budget base is the current budget Zero-base budgeting Constant cost level in Sw. Fr. Full budgeting	WIPO distinguishes between "programme variation" and "cost variation", the latter including cost increase forecasts, statutory cost decreases and increases and productivity gains.	(a) Cost increase forecasts by the UN organizations in Geneva (CCAQ) are used. Projected cost decreases are based on past experience. The CCAQ forecasts are applied to current posts. The budget document shows programme variations and cost variations separately. (c) No specific reserve.	Mandatory cost increases relate mostly to statutory increases for salaries and other staff costs, and reflect increases in post adjustment and GS salary scale increases in contributions to Pension Fund and other standard staff costs.
WMO	Budget base is the current budget Incremental budgeting Constant cost level in Sw. Fr. Full or semi-full budgeting Unlike other large organizations which follow "full" or "semi-full" budgeting, WMO "does not project for inflation, increases in salaries or fluctuations of exchange rates. Cost increases of the type existing between Oct. 1989 (for the budget 1988-90) and the date of approval of the budget would be the subject of revised estimates to be presented, if necessary, to the Tenth Congress. Later on during the financial period, these cost increases/decreases are subject to application of flexibility clause of Congress resolution on "Maximum Expenditure".	It has been the policy of WMO Congress to adopt a four year budget which excludes any element of inflation in the forthcoming budgetary period and the same applies to the yearly budgets approved by the Executive Council during that period. Additional costs resulting from inflation are therefore normally met through economies within the approved budget, and through recourse to the "flexibility clause", as far as compensation for inflation on staff salaries and allowances is concerned. The low inflation rate in Switzerland and the fact that approx. 90% of the expenditure from the regular budget is incurred in SF has made it possible for WMO to absorb inflation.	(a) Its budget takes into account inflation over the past. The published official statistics of the Canton of Geneva are used as inflation indices. (b) For the adjustments to increases in staff salaries and allowance, the "Flexibility clause" (see second column). (c) No specific reserve	Follows the common system.

.../

Footnotes

1/ The proposals for a new budget period are built up from scratch and costed item by item. *

2/ The budget proposals are prepared by adding to and/or subtracting budgetary provisions for a given programme or activity already included in the preceding approved budget. *

3/ A notional value for a given level of cost is used for a given time, which is intended primarily for comparing the budget of one financial period with that of the ensuing period. This value takes no account of either fluctuation in the exchange rate or of erosion in the purchasing power of the cost level which is expected to occur.

* The indications in this column are given on the basis of the information provided by the organizations concerned. In the United Nations system, there are no pure or vigorous applications of zero-base or incremental budget (see para. 89 of Vol. I).

TABLE 15 - CURRENCY FLUCTUATION

Org.	Proportion of expenses in currencies	Reserve for currency fluctuation	Application of exchange rate to the budget currency	Forecasting of exchange rates	Handling of exchange losses and gains
UN	$US = 40% SF = 30-35% AS = 4% Other = 21-26%	No.	Exchange rates are first approved by GA in the initial appropriation for the programme budget (i.e. usually UN rate of exchange for November). These rates may, as appropriate, be brought up-to-date in the context of annual performance reports so as to reflect the most recent exchange rate.	The UN does not make future exchange rate forecasts, since forward purchasing is considered as currency speculation and not allowed. (Ref. A/AC/160/12/17/Add.1, 24 April 1974)	Additional requirements are normally covered by supplementary estimates approved by the GA.
FAO	$US = 40% Ital. Lire = 40% Other = 20%	Special Reserve Account could be used inter alia to finance extra costs due to movements of exchange rates up to 5% of the budget. Moreover, savings on staff costs arising from favourable differences between the lira exchange rates, at which the budget was approved, and the effective UN rate should be credited to this account. (See also Table 7)	The budget proposals are prepared at the same dollar/lira exchange rate at which the preceding biennial budget was approved. This is to ensure comparability between the previous approved and the proposed budget. The Conference decides on the exchange rate to be adopted for the budget. This rate is usually the one prevailing on the day of the budget's approval.	No prediction is made on lire rates of exchange. For covering the budget lira/dollar exchange rate contracts for forward purchase have been made.	At the end of the biennium, balances in excess of the continuing approved funding level are to be returned to the General Fund and allocated to Member Nations in accordance with the financial regulations. The budget includes a small provision of $US 50,000 under the profit and loss account covering the eventual differences between the UN and market rates at which currencies are purchased.
IAEA	About 20% is dollar related; about 80% AS and AS related	No.	In IAEA's budget documents and accounts, $US appropriations and a "split system" of assessments are retained. The average UN exchange rate experienced during the years (see Annex III of Agency's Budget 1988 (XXXI/802)) applied to the schilling portion of the appropriation.	No.	IAEA effectively protects itself against currency fluctuation by a "split appropriation and assessment" system. Taking into consideration that IAEA incurs a large portion of its expenditures in schilling, the system was devised to assure that Member States' contributions would provide the necessary purchasing power in local currency in order to implement the approved programme smoothly.
ICAO	$US = 53% $ Can.= 38% FFr. = 4% Other = 5%	No specific reserve.	For each annual budget, within a 3-year budgetary period, the estimates are revised when the Council approves it. (The Council decides which rates should be used, i.e. UN operational rate, bank rate, etc.) The exchange rates used in the formation of the budget (1987-89) were the rates in effect on 1 February 1986. The Assembly (Sept-Oct 1986) decided not to update the rate because of insignificant changes.	No attempt is made.	Part VI: Contingencies can cover inter alia unfavourable exchange rate fluctuations. In the case where exchange rates are favourable, this Part is not drawn upon as anticipated in the original budget projection. Contingencies may be carried forward to the following year or cancelled and thus become part of the surplus account.

.../

Org.	Proportion of expenses in currencies	Reserve for currency fluctuation	Application of exchange rate to the budget currency	Forecasting of exchange rates	Handling of exchange losses and gains
ILO	SF = 60-65% $US = 30-35% Other = up to 10%	No specific reserve. The WCF may be used to finance such additional costs if authorized in advance by the Governing Body. (See also Table 6)	The rate of exchange between the SF and $US, as used in the DG's programme and budget proposals, is normally set by taking account of the current UN operational rate of exchange and the current market rate of exchange prevailing when the preparation of the programme and budget proposals are finalized in December in even years. Account is also taken of actual trends during the past year or so and of professional and institutional forecasts. In the following odd years, the Governing Body is informed of further developments in the rate of exchange at its February and May sessions, and the final rate of exchange for the approved budget is adopted by the International Labour Conference in June of odd years. However, under the proposed new system (see column 5), the final budget rate of exchange for 1990-91 will not be decided until the budget is reviewed by the Finance Committee of Government Representatives at the Conference in June 1989. It will then be set at the prevailing market rate of exchange and the Programme and Budget for 1990-91 will be revalued accordingly	Normally no [illegible] budgetary provision for losses relating to expenditure in SFr where the UN exchange rate falls below the budget exchange rate.	Part IV: Major Programme XIV 'Effects of Exchange Rate Adjustments' serves to record the additional dollar costs and savings which result, if the exchange rates of other currencies (mainly the SFr) to the $US vary, in relation to those used to value the budget. Thus if losses occur, they are charged to Part IV of the budget. As soon as it is clear that for a biennium as a whole the losses will outweigh any gains (which are also credited to this part of the budget), the Governing Body is asked to authorize the corresponding supplementary expenditure. Savings on the budget exchange rate are credited to Part IV. Net savings credited to Part IV will reduce total budgetary expenditure. By reducing budgetary expenditure, exchange rate gains can therefore be an important contributory factor towards achieving a cash surplus and thus reducing future assessed contributions of Member States. The Governing Body, at its 241st Session, (November 1988), endorsed as a long-term solution to the problems of currency fluctuations a system of Swiss franc assessments combined with forward purchasing of the biennium's dollar requirements and has submitted a resolution to the 76th Session (June 1989) of the Conference providing for the introduction of the new system in 1990-91. Under this system, gains and losses that result when actual exchange rates vary in relation to the budget rate of exchange will be recorded under an Exchange Equalization Account and not under this Part as in the past.
IMO	£ stg = over 85% $US = the remaining (£ stg based budget)	Exchange Reserve Fund (ERF) was established by IMO Assembly in order to meet additional expenditures resulting from exchange rate movements. With effect from 1 January 1980, IMO switched to a sterling budget, and the ERF was merged into the WCF to reflect the reduced exposure to exchange rate fluctuations.	The UN operational rate of exchange between the pound sterling and the $US prevailing in the month of the submission of the proposals (usually February-March of the year before the budget period). The rate of exchange actually used in the final approved budget is determined by IMO Assembly at its session in the November preced-	No forecast is made.	In addition to the ERF, the Assembly has authorized the Council to make any necessary recalculation of the biennium, in the light of, in particular, exchange rate movement during the first year. All exchange rate gains contribute to the cash surplus, which is then distributed in accordance with the decisions of the IMO continued ...

.../

Org.	Proportion of expenses in currencies	Reserve for currency fluctuation	Application of exchange rate to the budget currency	Forecasting of exchange rates	Handling of exchange losses and gains
IMO cont'd			ing the biennium. The Assembly in recent years has also given authority to the IMO Council to amend the rate of exchange used in respect of the budget for the second year of the biennium in the light of circumstances prevailing at the Council's autumn session in the first year of the biennium.		Assembly based on the recommendations of the SG.
ITU	SF = 88% $US = 12% (SF based budget)	No.	The application of exchange rate to the budget currency corresponds to the exchange rate between the SF and the $US, which corresponds to the official UN rate in force on 1 January of the year preceding the budget year. Adjustments are made to the approved budget at UN operational rate of exchange applicable.	No forecast of exchange rate is made.	The net decline of the $US had a beneficial effect on the level of the Union's Reserve Account. When variations in the exchange rate between the dollar and the Swiss franc affect staff costs, the Administrative Council may adjust the limit of the annual budget. Exchange rate losses leading to cost increases in staff expenditure are financed from withdrawals from the Union's reserve account. Similarly exchange rate gains leading to decreases in staff expenditure are credited to the reserve account.
UNESCO	FF = 55% $US = 35% Other = 10%	No specific reserve.	For the purpose of comparability, the budget is established at the same constant dollar exchange rate as the previous biennium. The difference prevailing at the time of preparation of the budget is shown as a provision for currency fluctuation in Part VIII on the budget. A final revision is made on the basis of the exchange rate prevailing in the month preceding that when the General Conference adopts the budget.	Exchange rates are not forecast since the prevailing exchange rates are applied at the time of the approval of the budget.	Prior to the 1980-81 biennium a provision was made under Part VIII: Currency Fluctuation to cover these effects. If this provision were insufficient, the Appropriation Resolution stipulated that the additional costs should be financed by Supplementary Estimates. If a surplus resulted under this Part of the budget, it was returned to Member States. For 1980-81 the General Conference approved the "split level" method of assessment on a trial basis which should largely preclude the necessity of any reserve for meeting costs associated with Currency Fluctuation since under this method Member States would pay their contributions to the budget at the same constant dollar rate at which the budget is calculated, irrespective of the actual exchange rate prevailing at the time payment is made. Losses and gains arising from the conversion of currencies by the treasury are accounted for as miscellaneous income.

Org.	Proportion of expenses in currencies	Reserve for currency fluctuation	Application of exchange rate to the budget currency	Forecasting of exchange rates	Handling of exchange losses and gains
UNIDO	For 1988-89 budget All = 72% $US = 28%	No.	The UN operational rate of exchange in effect for the month in which the budget is approved by the General Conference (in November).	No. Exchange of information between UN, IAEA, UNRWA and UNIDO and with banks.	Exchange rate losses are, to the extent possible, absorbed through economies. "Split assessment" system (see IAEA).
IMO	SF = 94% $US = 4% Other = 2% (SF based budget)	Reserve Fund serves inter alia to cover these effects.	For the preparation of budget, the UN rate of January is applied. However, for the purchasing of currencies, the bank rate of each month is used. (Salaries are expressed in $US)	No.	Exchange losses and gains are covered by the Reserve Fund.
WHO	SF = 24% $US = 44% Other = 32%	Not in the budget.	The budgetary rate of exchange between the SF and $US is set by taking the UN operational rate of exchange in effect at the time when the estimates are finalized. If deemed appropriate, adjusted estimates can be presented at the time of WHO Assembly's review. The budgetary rate of exchange for the major regional office currencies is established on the basis of current information at the time the regional budget estimates are prepared (usually before October).	Not possible to predict with accuracy the rates of exchange between the $US and SF and the five major regional office currencies. Attempts made in this respect prior to the establishment of an exchange rate facility were not successful in view of wide fluctuations in the rate.	An exchange rate facility is financed by Casual Income Account whereby the DG is (a) authorized to charge the net additional costs against available casual income up to a limit of $US 31,000,000; and (b) requested to transfer to casual income the net savings resulting from differences between WHO budgetary rates of exchange and the UN/WHO accounting rates of exchange with respect to the relationship between the $US and other major currencies. (See also Table 9)
WIPO	SF = 91% $US = 9% Other = Nil (SF based budget)	No.	The UN rate of exchange at the time of preparing the budget is used (usually January or February). This rate will not be updated.	No forecast of future exchange rate.	At the end of the budgetary period, any exchange rate losses or gains are included in the accounts either as surpluses or deficits, which will go to the reserve funds of the Unions.
WMO	SF = 80% $US = the remaining Other (some) (SF based budget)	No.	On the basis of the official UN rates of exchange in effect on the date of preparation. This will be updated to reflect the official UN rate in effect at the time the budget is adopted.	No. Experience has shown that in Switzerland the inflation rate is inter-related to the exchange value of the SF.	Exchange rate losses are met through "flexibility clauses". Exchange gains are returned to Member States.